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Neocolonialism: Methods and Manoeuvres

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INTRODUCTION

The imperialist era is characterised by a sharp exacerbation of the contradictions inherent in capitalism between the groups of imperialist states on the one hand and between the colonies and metropolitan countries on the other and by an unprecedented upsurge of the national-liberation movement [1] The First World War and the Great October Socialist Revolution in Russia paved the way for a general crisis of the whole capitalist system The party of the Bolsheviks with Lenin at its head ushered in a new era in the history of mankind by achieving the October Revolution which resulted in the emergence of the world's first socialist state

One of the important results of this general crisis of capitalism was the beginning of the decline of the colonial empires the national liberation movement that unfolded under the influence of the October Revolution dealt a tangible blow at colonial domination by Britain France and other colonial powers in Afghanistan, Egypt, Turkey, Iran and various other countries The example of the October Revolution, which had brought freedom to thirty three million oppressed peoples living in the borderlands of the former tsarist empire, raised the question of the liberation of all oppressed peoples in the colonies and dependent countries [2]

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[1] V I Lenin, *Collected Works* Vol 22 pp 300 04

[2] For more details see *The Great October Revolution and the World Revolutionary Process* Russ ed , Moscow 1967

The national liberation movement gathered particularly powerful momentum after the Second World War, when the second stage of the general crisis of capitalism set in this eventually resulted in a number of countries of Europe and Asia embarking on a socialist course The Soviet Union's victory over nazi Germany and militarist Japan—the aggressors mainly responsible for unleashing the Second World War—made possible the victory of people's democracy in a number of Asian and European countries, which had chosen the socialist path This historic development possessed and still possesses decisive significance in relation to the subsequent growth of the national-liberation movement It had by then become feasible for the colonial peoples to start throwing off the yoke of the shameful colonial system the final collapse of which we were to witness in the post war period Precisely because imperialism had ceased to be an all embracing system, the prospects for the final liquidation of colonialism were at last realistic The countries of the socialist community afforded the colonial peoples substantial help in their struggle for independence Comrade Brezhnev remarked at the 23rd Congress of the CPSU 'Our party and the entire Soviet people actively support this struggle, we are giving effective all round assistance and shall continue to do so to peoples fighting against foreign invaders for freedom and independence "[1]

The entire course of the world history of recent decades prompts the complete and final abolition of the colonial system in all its forms and manifestations "[2] Such was the conclusion drawn at the Meeting of Communist and Workers' Parties held in Moscow in 1960

The years which have passed since that Meeting represent from the historical angle an insignificant period Yet enormous changes have taken place during that period' under the impact of the national-liberation movements one colonial regime after another has collapsed and many peoples of Africa, Asia and Latin America have gained their independence The national liberation movements in

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[1] *23rd Congress of the CPSU*, Moscow, 1966 pp 34-35

[2] *The Struggle for Peace, Democracy and Socialism*, Moscow, 1964, p 66.

Angola, Mozambique, "Portuguese" Guinea and South West Africa have become better organised and more effective.

Moreover, these years have seen not only an extension of that part of the world map taken up by newly independent countries and a broadening of the front in the struggle for political independence, but they have also been marked by new, qualitative changes in that struggle: a number of newly independent countries have rejected the capitalist path of development and opted for socialism, actively implementing radical economic and social transformations and waging a decisive struggle against imperialist domination. Noting this point Leonid Brezhnev emphasised: "Great Lenin's prediction that the peoples of the colonies and dependent countries, starting with a struggle for national liberation, would go on to fight against the very foundations of the system of exploitation is coming true."[1] This is particularly important in view of the fact that one of the characteristic features of neocolonialist policy in the economic sphere is not only the attempt to make newly independent countries follow the capitalist path of development, but also to preserve or even expand the influence and power of the foreign monopolies in these countries.

An overwhelming blow has been dealt at the colonial system, however this does not mean that the struggle is at an end. The achievement of political independence is only the first, although important, step on the way to the complete liberation and national rebirth of the peoples of the former colonies and many of the leaders of these young independent states are well aware of this.

The developing countries are faced with difficult tasks, one of these being the need to contend with the domination by foreign monopolies of their economic, political and social life. Imperialism still constitutes a major threat to the independence of the young states. After the collapse of the imperialist colonial system, 'the pillaging of the natural resources and the exploitation of the labour of the population of the weaker and less developed countries remains an inalienable feature of imperialism, although the imperialists are now compelled to act more craftily

[1] *24th Congress of the CPSU*, Moscow, 1971, p. 25.

and disguise their pillage The resistance of the peoples of the newly independent countries to the policy of neocolonialism creates a new and important front of the anti-imperialist struggle "[1]

Possessed as it is of the greatest capital resources and the most powerful arsenal of other means for implementing neocolonialist policy, American monopolies have come, since the war, to represent the main obstacle standing in the way of the colonial peoples' complete political and economic liberation Economic and other methods have enabled them to set up an enormous "invisible" neocolonial empire, ousting in the process the former colonial powers from many of their erstwhile possessions Over the same period US capital investments in these countries have risen from 7,200 million dollars to 50,000 million. US consumption accounts for up to 60 per cent of the world's resources of raw materials which the United States pumps for the most part from the developing countries on terms highly advantageous for itself Nevertheless even the United States, the leading imperialist power of the modern age, is no longer able to withstand the onslaught of the national-liberation and anti imperialist movement single-handed This is why the main imperialist states are more and more frequently joining forces in their efforts to hold back the advance of this movement

The course of post-war history has made it quite clear that there exists an extremely close link between the growing might of the socialist community, the successes scored by the communist and working class movement in the capitalist countries and the victories of the national-liberation movement Soviet policies and assistance to the national-liberation movement and the young developing states constantly compel the imperialist monopolies and governments to disguise their policies, alter and perfect their methods, join forces with each other and even make certain concessions to the developing countries

All this serves to show that the old, classical" methods of colonial plunder and daylight robbery are gradually giving way to new, more camouflaged methods of enslavement and systematic plunder of the former and extant

[1] L I Brezhnev, *Following Lenin's Course*, Moscow, 1972, p 161

colonies, although the essence of imperialist colonial policy remains unchanged. Since the war the world has seen the introduction of a whole series of new, more carefully disguised military, political, economic, financial, commercial and ideological methods and manoeuvres to promote imperialist colonial policy. Despite the contradictions which exist between the main imperialist powers, they now resort increasingly frequently to joint action against the national-liberation movement and also against the young independent countries. Neocolonialism has become part of the state and interstate policy of the imperialist powers.

This book aims to acquaint the reader with the most typical traits and tendencies to be found in the colonial policies pursued by the imperialists of today, to make clear the essence and implications of those policies and to analyse the methods and manoeuvres used. It should be noted that the imperialists still succeed in applying these methods in practice and not infrequently in misleading the newly independent peoples. The need to expose these methods and manoeuvres is therefore self-evident, particularly in view of the fact that certain bourgeois ideologists and politicians in the service of the imperialist monopolies and governments are attempting to justify this colonial policy and substantiate theoretically its right to existence. An analysis of the methods and manoeuvres employed by neocolonialists and the exposure of the latter is therefore of practical importance, and primarily for the countries now struggling to achieve their genuine political and economic independence, as it would help them reach a correct understanding not only of the methods used to implement that policy but also of its implications and thus would facilitate their struggle against it.

The theoretical tenets contained in Lenin's brilliant work *Imperialism, the Highest Stage of Capitalism* naturally provided the basis for my study of this subject. Such works of Karl Marx as *The British Rule in India*, *The Future Results of the British Rule in India*, and *The East India Company—Its History and Results* are also important for a correct understanding of the numerous problems connected with the modern colonial policies pursued by the imperialist countries. The same applies to the following works by

Lenin *On the Question of a Nation-wide Revolution*, *War and Revolution* *The State and Revolution*, *Concluding Speech Following the Discussion on the Report on Peace*, *The Discussion on Self determination Summed Up*, *The Socialist Revolution and the Right of Nations to Self-determination* *A Caricature of Marxism and Imperialist Economism*, *Preliminary Draft Theses on the National and the Colonial Questions*, *The Second Congress of the Communist International, July 19 August 7, 1920* *Report of the Commission on the National and the Colonial Questions, July 26*, *The Question on Nationalities or 'Autonomisation'*

The main aspects of the general crisis of capitalism and many of the component elements of that crisis, including the virtual collapse of the colonial system now in progress, are the subject of numerous official documents, monographs and brochures, etc A particularly large number of works dealing with the overall problems of present-day colonialism have been published both in the USSR and abroad

Among the works of Soviet authors (in Russian) which proved most helpful for the interpretation of a number of general aspects of imperialism, and current international, economic, financial monetary and trade relations, I should like to single out Academician Varga s *Basic Aspects of the Post war Economy and Policies of Imperialism* (after World War II), V V Rymalov, *Economic Aid to Developing Countries* and *The Collapse of the Colonial System and the World Capitalist Economy*, E Bregel, *Taxes, Loans and Inflation in the Service of Imperialism* and also the second revised version of the monograph under his editorship entitled *Imperialism and the Crisis of World Capitalism*, Y Turchins, *Increasingly Uneven Development of Capitalism as a Result of the Second World War*, M Frey *International Settlements and the Financing of Foreign Trade Between the Capitalist Countries* and a number of works by Academician N N Inozemtsev (in particular his article 'On the Basic Features of Modern Imperialist Strategy in *World Marxist Review* No 3 1969), Academician B G Gafurov, V G Solodovnikov, Corresponding Member of the USSR Academy of Sciences, and other Soviet scientists

Among the works having a direct bearing on the subject

under study, I should like to single out the following works by Soviet authors Professor R A Ulyanovsky, *US Neocolonialism and the Developing Countries of Asia*, Y N Korendyasov, *Joint Colonialism in Action*, L L Klochkovsky, *The Common Market Countries and Southeast Asia*, a brochure by K N Brutents entitled *A New Form of Enslavement of the Peoples*, a fundamental study of the strategy and tactics of British colonial policy by Y A Tarabrin, L Dvorzhak, *Economic Foundations of Neocolonialism*, V L Tyagunenko, Corresponding Member of the USSR Academy of Sciences, *Problems of Modern National Liberation Revolutions*, V B Mogutin, *Capitalist Credits an Instrument of Overseas Economic Expansion*, V P Panov, *The Evolution of Economic Forms of Colonialism*

The writing of this book entailed a detailed study of official documents put out by a number of international and regional organisations (annual reports, statistical and other collections of documents, individual publications and estimates) Many of the facts and data cited in this book have been taken from official documents and publications of the International Bank for Reconstruction and Development (IBRD) and its various branches, the International Monetary Fund, the Organisation of American States (OAS), the European Economic Community, the Organisation for Economic Co-operation and Development, the Inter American Development Bank, the Asian Development Bank and other organisations

An analysis of the economic, commercial and other data and indices taken from these sources naturally requires a detailed study and critical assessment of the same This applies in particular to economic surveys, summaries, reports and other materials published by departments for "overseas territories", banks and firms of the leading imperialist powers

The most biased among these works are those written by British and American experts, especially when such authors start to analyse and assess the economic, political and social position of the developing countries and colonies or the significance of the aid' that such countries receive from the imperialist powers Naturally, many bourgeois authors are still less objective when it comes to their evaluation

of the policies pursued by the USSR, which many of them distort in an attempt to undermine the influence of the policies of the socialist countries vis-à-vis the developing countries and the national liberation movement.

* * *

Problems connected with the writing of this book stemmed both from the sheer volume of literature on many general aspects of the given subject and the relative shortage of works presenting a detailed analysis of the methods and manoeuvres of neocolonialism The hardest thing of all was to select the most important material, draw general conclusions from it and provide as detailed a treatment of the subject as possible

CHAPTER I

THE NATIONAL-LIBERATION MOVEMENT AT THE PRESENT TIME

During the imperialist era not only did the colonies become advantageous commodity markets but they also came to provide advantageous capital investment spheres for the monopolies since they were an enormous source of cheap labour and material reserves for the main imperialist powers, for whom they also thus possessed considerable strategic importance. The enslavement and systematic plunder of the peoples living in the colonies and semi-colonies so as to extract maximum profits was one of the most characteristic traits of imperialism. While the colonial policies of the imperialist powers were similar in their main outlines, there existed a large number of variations in the methods and forms of the enslavement of the colonial peoples. The colonial policies of Britain are particularly complex and diversified; in the course of her empire's history which covers more than four centuries Britain was to apply almost all known forms of colonial oppression.

Of course the imperialist monopolies would prefer to lord it over the colonies to their heart's content without any restrictions and with no one constituting a threat to *their supremacy, a situation which would only be possible* if metropolitan countries wielded complete political and economic control. When he drew attention to the importance for monopoly capital of complete political and economic domination of the colonies Lenin wrote: "Colonial possession alone gives the monopolies complete guarantee against all contingencies in the struggle against competitors, includ-

ing the case of the adversary wanting to be protected by a law establishing a state monopoly , for in the colonial market it is easier to employ monopoly methods (and sometimes they are the only methods that can be employed) to eliminate competition, to ensure supplies, to secure the necessary connections', etc "[1] It is essential to bear this conclusion of Lenin's in mind when assessing the economic political and military significance of the colonies and dependent countries for the imperialist powers, despite the fact that major changes have since taken place in the colonial policies of those powers, just as the colonial world has changed beyond recognition One factor which testifies to the relevance of this tenet of Lenin's is the monopolies' current preference for investing capital in their 'own" former and remaining colonies

The era of imperialism was also marked by a sharp intensification of the internal contradictions of capitalism on the one hand and those between the colonies and metropolitan countries on the other, it was also an era of unprecedented advance and expansion of the national-liberation movement,[2] an era of anti imperialist and proletarian revolutions, which shook the very foundations of the colonial empires, these bastions of imperialism

The Russian revolution of 1905 was to exert a considerable influence on the national awakening of the peoples in the colonies and semi-colonies, particularly in the countries of the East Lenin assessed the extent of this influence in the following words World capitalism and the 1905 movement in Russia have finally aroused Asia Hundreds of millions of the downtrodden and benighted have awakened from medieval stagnation to a new life and are rising to fight for elementary human rights and democracy '[3]

The First World War and the Great October Socialist Revolution which resulted in the falling away of a sixth of our planet from the capitalist system and the creation of the world's first socialist state marked the beginning of a general crisis of capitalism One of the most important

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[1] V I Lenin *Collected Works*, Vol 22, pp 260, 262
[2] Ibid , p 300
[3] Ibid , Vol 19, p 86

elements of this crisis was the beginning of the collapse of the colonial system The colonial peoples were no longer prepared to live in the old way and became more and more actively involved in the struggle against imperialism, while the imperialist countries were no longer able to administer their colonies according to the old patterns and were obliged to modify the tactics of their colonial policy Despite the fact that Britain and France, after defeating the countries of the Austro German bloc in the First World War, acquired large African territories which had formerly been German colonies and asserted themselves in a number of countries of the Middle East, the national liberation and anti imperialist movement which had gained ground so rapidly after the October Revolution, dealt a considerable blow against their domination in the colonies An idea of the strength of that movement can be gathered from the fact that it gained concessions even from Britain, which, as Lenin wrote in 1917, was a state which owns the greater part of the globe", a country "which ranks first in wealth, which has created this wealth not so much by the labour of its workers as by the exploitation of innumerable colonies' [1] In 1919 Britain granted Afghanistan its independence, later in 1922 after there had been two uprisings in Egypt that country was also granted its independence That same year the intervention against the Kemalist revolution in Turkey ended in a shameful fiasco and finally in 1927 Britain was obliged to grant Iraq its independence

Yet the colonial powers (Britain, France, the Netherlands, Belgium, Portugal and Spain) managed to preserve in one form or another enormous colonial empires right up until the end of the Second World War The United States also extended its foreign possessions on the basis of its highly energetic economic and political infiltration, after the First World War, of the colonies belonging to the European powers The total area of the colonies and semi colonies on the eve of the Second World War was about 15 million square miles and their total population almost a thousand million

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[1] Ibid , Vol 24 p 403

The national liberation movement developed particularly rapidly and effectively after the Second World War which marked the beginning of a new stage in the general crisis of capitalism, and which ushered in the virtual collapse of the whole colonial system However, the most important result of the post-war offensive against imperialism was the adoption by a number of European and Asian countries of a socialist course As far back as 1920 Lenin had written of the task of converting the dictatorship of the proletariat from a national dictatorship (i e, existing in a single country and incapable of determining world politics) into an international one (i e, a dictatorship of the proletariat involving at least several advanced countries, and capable of exercising a decisive influence upon world politics as a whole)" [1] This Leninist tenet was further elaborated at the 20th Congress of the CPSU in its assessment of the importance of the creation of a world socialist system The resolution of the Congress contains the following words: "Our epoch is marked by socialism spreading beyond the boundaries of one country and turning into a world system with capitalism unable to halt this historical process" [2] It is this historic factor that was of such decisive importance for the subsequent advance of the national-liberation and anti-imperialist movement This movement received and continues to receive tremendous moral and material support from the socialist countries As a result it has become feasible for many former colonies and semi-colonies to cast off forever the fetters of the shameful system of colonialism The successes of the national-liberation movement since the last war have been determined by the following main factors: the historic victory of the Soviet armed forces in the Second World War against the three major aggressors—Germany, Japan and Italy, the victory of people's democracy in a number of European and Asian countries and the setting up of a community of socialist countries, which has to a certain extent immobilised the main forces of imperialism and become the decisive factor of the present

[1] V I. Lenin, *Collected Works*, Vol 31, p 148
[2] *20th Congress of the CPSU*, Verbatim Report, Russ ed, Vol. 2, p 410

historical process and international relations, the defeat or considerable weakening, particularly during the first stage of the Second World War, of the original colonial powers, Britain, France, the Netherlands and Belgium in the struggle against the younger imperialist plunderers—Japan in Asia and the Far East and Germany in Europe and Africa, the concentration of a considerable quantity of arms in the hands of the colonial peoples by the end of the war which greatly facilitated the tasks of creating and training national liberation armies, the development of industry in the former colonies and dependent countries and the emergence of a proletariat and communist and workers' parties actively involved in the national liberation and anti-imperialist movement and exerting a growing influence on the character and goals of that movement, and finally the all round help received by the newly independent countries from the USSR and the other socialist countries and the latter's support of the national liberation movement of the peoples of the colonial and dependent countries

These basic factors as a rule produce effect in conjunction with each other, while the strength and significance of one or the other factor depends on concrete, historically shaped political, economic and other conditions in each individual country Under the influence of these factors the colonial world has undergone tremendous changes since the last war before the October Revolution almost two thirds of mankind lived under the yoke of colonial regimes and at the beginning of 1945 colonial possessions still accounted for 28 6 per cent of the world's surface and 29 8 per cent of the world population, whereas since the last war dozens of peoples in former colonies have gained their political independence and nigh on eighty new states have come into being in Asia, Africa and Latin America This means that the myth about the inability of the peoples of the former colonies to run their own affairs has been finally shattered The newly liberated countries are now taking an active part in international affairs Indeed nowadays no important international question can be decided without the newly independent countries, to say nothing about the socialist countries While in 1945 when the United Nations Organisation was set up it consisted of only 51 states, now it has

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132 members including over eighty states of Asia, Africa and Latin America. Over the same period the number of socialist countries belonging to the UN has doubled. An analogous situation is to be found in the majority of the international specialised agencies (UNESCO, WHO, ILO, FAO, etc.). Consequently imperialism has ceased to be an all-embracing system which has resulted in an essentially new world situation. Conditions have taken shape which favour the complete and conclusive liquidation of the colonial system. The entire course of the world history of recent decades prompts the complete and final abolition of the colonial system in all its forms and manifestations." This was the profoundly scientific Marxist conclusion drawn in 1960 by the Moscow Meeting of Communist and Workers' Parties.[1]

In response to an initiative of the Soviet Union the 15th Session of the UN General Assembly issued the Declaration on Granting Independence to Colonial Countries and Peoples on December 14, 1960. The issuing of this Declaration was extremely important, if for no other reason than for the fact that in 1960 over a hundred million people were still living under the colonial yoke. The time that has passed since that Declaration was issued is an extremely short period if viewed historically, yet it ushered in a whole series of important events. Under the impact of the national liberation movement colonial régimes have been toppling one after the other. They have been replaced by new independent states including the Algerian People's Democratic Republic, Kenya, Tanzania, Zambia, Uganda, Malawi, Guyana. These years have also seen important strides forward by the national liberation movements of the peoples of Mozambique, Angola, "Portuguese" Guinea, and the Cape Verde Islands which the 100,000 strong army of the Portuguese colonialists is no longer able to keep under control.[2] This movement has inspired the peoples of other

[1] *The Struggle for Peace, Democracy and Socialism*, p. 66.

[2] The Portuguese Government spends on the maintenance of the punitive forces in Angola alone (a 60,000 strong army) over 45 million dollars a year. In 1969 Portugal spent 170 million dollars or 42 per cent of the national budget on its colonial war against the peoples of Angola, Mozambique, Guinea (Bissau). See *Le Figaro* April 28 and 29 and May 4, 1970.

colonies and dependent territories to follow suit, including those of South West Africa, the native population of the Republic of South Africa and the Arabian Peninsula The world has also witnessed turbulent developments in a number of Latin American countries and taken all in all the ranks of the imperialists have been thrown into disarray

The successes achieved by the national liberation movement in the course of this period were however not confined to a mere extension of that part of the world map now consisting of independent states and a broadening of the struggle for political independence Changes in the nature of the movement have also made themselves felt in this period a group of new independent states (Algeria, ARE, Burma, Guinea, the People's Republic of Congo, Syria, the People's Republic of South Yemen, Libya, Chile the Republic of Bangladesh, Peru and others) have opted for more profound economic and social transformations and a more resolute struggle against neocolonialism and imperialism and have set up a state sector in their economies nationalising foreign monopolies and banks and capitalist enterprises, confiscating the estates of feudal landowners, and implementing land and other reforms This circumstance is particularly important since the essential distinctive feature of neocolonialism in the economic sphere is activity directed not only towards bulldozing the newly independent countries on to a capitalist course of development, and making sure they remain within the framework of the world capitalist economy but also towards preserving the power and influence of foreign monopolies in these countries in order to continue the exploitation of their material and manpower reserves

In recent years further strides were made by the movement for African and for Arab unity and by the movement for international solidarity that emerged in the common struggle against imperialism and neocolonialism and assumed an organisational form at the 1966 Havana Conference of Three Continents

The movement for Arab unity took shape as a result of the aspirations of the Arab peoples to throw off foreign oppression (first Turkish and later British and French) When analysing this movement it should be borne in mind that in the early post-war years monarchist and feudal

systems existed in a number of Arab countries which made it possible for the neocolonialists to play up contradictions between various monarchist groupings and thus divert the energies of the Arab peoples from the anti-imperialist struggle and to transform the Arab League into an instrument of the imperialist military and political machine. The setting up of the Baghdad Pact, the subsequent formation of the SENTO bloc and other imperialist manoeuvres were directed precisely towards this goal. Although attempts on the part of the imperialists to turn the movement for Arab unity to serve their own ends still continue, the anti-imperialist trend is gaining the upper hand in that movement. This is borne out by such important events as the collapse of the Baghdad Pact, the dismantling of British military bases in Egypt, Iraq and Libya, the growing demands for all such bases still extant in the Arab countries to be dismantled and the active support from the Arab League for the peoples of Syria, the Yemen, Oman, Aden and Algeria in their struggle for independence. The Arab League condemned the institution of the Common Market in Europe and the inclusion in its sphere of action of various African countries as associate members and, by way of counteracting this association, adopted a resolution to set up an Arab Common Market and introduced a number of measures directed against the International Oil Cartel (as early as 1959-63 the Arab League had adopted a resolution on granting oil concessions on terms more in keeping with the interests of the Arab countries concerned, and Saudi Arabia, Kuwait and Libya set up in 1960 the Organisation of Arab Petroleum Exporting Countries) [1]. These measures were aimed against the dominance of foreign oil monopolies and the International Consortium functioning in the Middle East and drawing colossal profits (ranging from 60 to 114 per cent according to the individual country concerned) and at ensuring greater deductions from these profits to be paid

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[1] This is not to be confused with the Organisation of Petroleum Exporting Countries (OPEC) to which belong Algeria, Iraq, Iran, Kuwait, Saudi Arabia, Libya, Venezuela, Indonesia, Abu Dhabi and Qatar. Nigeria joined the Organisation in July 1971 and Ecuador — in 1973.

to Arab countries and also ensuring the normal development of this important sector of their economies.

In 1957 at a session of the Arab League Economic Council an agreement for economic integration of the Arab countries was drawn up, and ratified at the beginning of 1964. As a result the Council of Arab Economic Unity (CAEU) was set up. The original members were Egypt, Iraq, Syria, Jordan and Kuwait, and later they were joined by the Yemen and the Sudan. In May 1968 the CAEU adopted a number of important resolutions (for instance, on the lifting by 1971 of restrictions on the import of manufactured goods within the CAEU, the complete abolition of import tariffs for agricultural produce in 1969: from 1964 onwards they were reduced by an annual 20 per cent and tariffs for manufactured goods by an annual 10 per cent). These resolutions represented a weighty contribution to consolidating Arab unity and a counter move to provide defence from the Common Market and Israeli pressure. The Arab countries have made considerable headway with regard to the main problems of the struggle against imperialism, the policy of peaceful coexistence and the struggle for peace which allowed them to work alongside the countries of the socialist community. Of particular significance in this context were the Treaty of Friendship and Co-operation between the USSR and Egypt signed in Cairo on May 27, 1971 and the Treaty of Friendship and Co-operation between the USSR and Iraq signed on April 9, 1972. Collaboration with the socialist countries helped Algeria, Egypt, Syria and many other countries ensure further advance of their national-liberation revolutions and intensify their struggle against the imperialist powers. The expansion and intensification of this struggle is borne out by a number of recent developments: ten years ago a group of developing countries took a first step towards starting a joint struggle against foreign oil monopolies by setting up the OPEC. However in the decade that followed the oil monopolies did not experience particular difficulties, while they continued to exploit the oil resources of the OPEC countries making colossal profits. The "oil battle" began in January/February 1971 in the course of negotiations between the OPEC countries and the "Seven Sisters", (Standard Oil of New Jersey, Royal

Dutch Shell, Mobile Oil, Texaco, Gulf Oil, Standard Oil of California and British Petroleum) which originally refused to satisfy the legitimate demands of the OPEC countries for a more fair distribution of oil revenues, hoping to make capital out of the contradictions within the OPEC However, the oil monopolies miscalculated, for on this occasion the OPEC countries presented a united front, as was borne out by the results of the 22nd emergency session of the Organisation in Teheran (February 3-4, 1971) The session decided that if any of the 'Seven Sisters" had not accepted the OPEC conditions by February 15, 1971, the member countries would take the resolute steps up to stopping all export of oil and petroleum products through the company concerned This decision had a sobering effect on the oil monopolies and they were obliged to compromise On February 14 they signed an agreement in Teheran with the six Persian Gulf countries undertaking to make over to those countries an additional part of the oil revenues in the 1971 75 period 1,200 million dollars in 1971 and subsequent increments up to 3,000 million by 1975; in their turn *the six countries took it upon themselves* not to put forward new demands in the course of the same period

After their first defeat at the hands of the OPEC countries the American and British oil monopolies grew obviously alarmed, in view of still tougher negotiations with the Mediterranean oil-producing countries (Algeria, Iraq, Libya and Saudi Arabia), whose oil deliveries to Britain, for example, constitute 40 per cent of her oil imports At that period the British press noted with alarm that while in the course of the Teheran negotiations the question of Israeli aggression had not been brought up, this could well be expected in the second case This concern also swept the United States *The New York Times* published *a leader with a typically alarmist title* "Surrender in Teheran" on February 16, 1971, which reflected the then current mood

After this concession to the six countries of the Persian Gulf the foreign oil companies (Iraq Oil Company, Mosul Petroleum Company, and Basrah Petroleum Company) found themselves obliged to sign an agreement with the Iraq Government in February 1971 (based on the terms of

the Teheran Agreement) under which 55 per cent of the oil revenues obtained in that country would be made over to the Iraq Government After a conference of ministers from Libya, Algeria, Iraq and Saudi Arabia in Tripoli (February 23 25, 1971) at which the details of a common stand for negotiations with British, French and American oil companies were elaborated, the monopolies grew particularly alarmed at the stance adopted by Libya and Algeria who supply Western Europe with approximately three hundred million tons of oil On February 25, 1971 the Libyan Government announced that it would negotiate with the oil companies on its own terms the negotiations would last for not more than two weeks commencing on February 24, negotiations would be conducted separately with each company, the price of oil would be raised by 72 cents a barrel, 39 of which would be to cover tanker freightage (the 'Suez extra'), tax deductions would be increased by four cents a barrel, the companies would have to start paying the 'Suez extra" back dated to June 1967, or the onset of Israeli aggression, that had resulted in the closure of the Suez Canal and consequently increased freightage costs This stand taken by Libya dealt an appreciable blow at the super profits reaped by British Petroleum Libya was afforded the firm support of Algeria, Iraq and Saudi Arabia and on March 16, 1971 all four countries warned the foreign oil companies that if they did not accept their terms oil deliveries would be stopped

Another important incident in the "oil battle' was the decision of the government of the Algerian People's Democratic Republic of February 24, 1971 with regard to the partial nationalisation of the French oil companies so that the Algerian Government would control 51 per cent of their shares [1] All natural gas deposits were also nationalised including the equipment and buildings already on the premises The interests of the following societies were nationalised Societe française des petroles d'Iran, Societe de

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[1] Compagnie française des petroles (Algerie), Societe de participations petrolieres Société nationale des petroles d'Aquitaine Compagnie de participations de recherches et d exploitations petrolieres Compagnie franco africaine de recherche petrolieres

transport du gaz naturel d'Hassi-R'Mel a Arzew, Societe de transport par pipeline de l'Est Saharien; Compagnie de transport par pipeline au Sahara, and those of the Société nationale RLPAL were nationalised in part All the nationalised assets were transferred to the state company SONATRACH and attempts on the part of the French to drag out negotiations failed Nor did the official protest of the French Government of February 26, 1971 have any effect on the situation

In March 1971 the Nigerian Government also entered the 'oil battle" demanding from Shell-British Petroleum, Gulf, Texaco and other foreign companies installed in Nigerian territory that the c i f prices they paid for Nigerian oil should be raised to correspond with the norms laid down in the Teheran Agreement, which would increase Nigeria's annual oil revenues by seventy million pounds sterling[1] In May 1971 these companies had no choice but to sign an agreement to this effect At the 24th session of the OPEC in Vienna (July 1971) Nigeria was admitted as its eleventh member

Syria announced a similar rise in her c i f prices for crude oil on March 16, 1971 and in July 1971 Iraq Petroleum Company was obliged to satisfy the Syrian Government's demands for an increase in prices for the transportation of oil across its territory to the Mediterranean from 24,400,000 to 34,400,000 pounds sterling per annum The agreement also stipulated that Iraq Petroleum was bound to pay 14 million pounds into the Syrian treasury to cover the interim period since 1967

In accordance with the resolutions adopted at the Teheran Conference of the OPEC the Venezuelan Government also put up its c i f prices for oil in March 1971 The American Creole Petroleum Corporation, the major foreign investor in that country, announced on March 16 of that year that prices of petrol and other oil products would be raised, attempting thereby to shift onto the consumer the main burden resulting from the Venezuelan Government's just action These counter-measures did not however induce the government to bring down the c i f prices for crude

[1] See *The Daily Times*, Lagos, March 9, 1971

oil on March 29, 1971 a bill was presented to the Venezuelan Congress calling for the transfer to the government of all the country's oil wealth stipulating the institution of state control over the activities of the foreign oil companies up until 1983 when the concession contracts would run out after which the concessions would be returned to the government by the foreign companies who would not be entitled to any compensation The bill also stipulated that payments be made by these companies into the Central Bank of Venezuela that would provide a guarantee for the proper upkeep of their property right up until the transfer of the same into the hands of the government [1] In June 1971 the Congress and Senate approved the bill and in August of that year the Senate passed a law nationalising gas extracting enterprises prohibiting in future the working of gas deposits by mixed companies and placing this new industry under the jurisdiction of the Venezuelan State Oil Company

The solidarity of the Arab countries helped Iraq to achieve yet another victory in the oil battle with the foreign oil companies (members of the Iraq Petroleum Company) who on March 1 1973, were obliged to sign an agreement renouncing all their claims on Iraq in connection with the nationalisation of the Iraq Petroleum Company (June 1 1972) This agreement guarantees Iraq s sovereign rights to her oil The most important points in the agreement are the following the companies agreed to satisfy the demands previously put forward by Iraq regarding compensation payments from the oil companies amounting to 171 million pounds sterling Iraq in her turn agreed to hand over to the companies concerned 15 million tons of oil by way of compensation (for their renouncement of all rights regarding Iraq s oil) the companies turned over to Iraq the Mosul Petroleum Company concession (free of charge) and agreed to sell to Iraq part of the oil pipeline (some of the cost of which was to be covered by the 15 million tons of oil mentioned earlier)

These and other developments testify to the continuing intensification of the struggle being waged by the develop

[1] See *The New York Times* June 18 1971

ing countries against the domination of foreign monopolies which demand from the former guarantees of their high profits and ensurance against any risks They also show that the developing countries can achieve tangible results when they take a resolute stand or, still better, when they act in concert At the same time they reflect the ever narrowing opportunities in both the economic and political spheres that still remain open to the imperialist powers and confirm the conclusion drawn by the Central Committee of the CPSU with regard to the qualitative change in the national liberation movement at its present stage In the Central Committee report to the 24th Congress of the CPSU Comrade Brezhnev stressed 'The main thing is that the struggle for national liberation in many countries has in practical terms begun to grow into a struggle against exploitative relations, both feudal and capitalist "[1]

The adoption of the Declaration on Granting Independence to Colonial Countries and Peoples following on a Soviet initiative and the setting up of a special UN committee for decolonisation (the Committee of 24), entrusted by the General Assembly with the task of elaborating measures to ensure the implementation of that Declaration, gave the young states a further opportunity to wage an active struggle side by side with the socialist countries within the framework of the UN for complete and final abolition of colonialism and its consequences Despite the opposition of the colonial powers the 20th General Assembly adopted a number of important new decisions in December 1965 demanding of Britain, Portugal and Spain that they grant independence to their remaining colonies in Latin America and Africa and once more upholding the right of all peoples to freedom and independence The General Assembly adopted a resolution with regard to the application of the Declaration to the colonial countries and peoples of 26 small islands, colonial possessions of the USA and Britain in the Pacific, Atlantic and Indian oceans Samoa, Guam, the Solomon Islands, the Bahamas, Bermuda, the Seychelles, the New Hebrides, Papua, the Gilbert and Ellice Islands, etc The raising of this question was of major

[1] *24th Congress of the CPSU*, p 23

importance for the national liberation movement insofar as these island possessions are used as outposts in the struggle against that movement and the young states The climax of the 20th General Assembly was the adoption, again in response to a Soviet initiative, of the Declaration on the Inadmissibility of Intervention in the Domestic Affairs of States and the Protection of Their Independence and Sovereignty [1] The adoption of this Declaration was important for the young states in view of the fact that interference in their internal affairs by the imperialist powers had been increasing and this had become one of the most common forms of neocolonialist oppression

The subsequent course of events showed that the Declaration on Granting Independence to Colonial Countries and Peoples of 1960 became an extremely valuable weapon in the struggle of the colonial peoples for their independence This struggle in its turn promoted the subsequent polarisation of the forces of the national liberation communist and anti imperialist movements on the one hand and those of neocolonialism reaction and aggression on the other This polarisation was brought home particularly vividly at the 21st and 22nd General Assemblies (1966 and 1967) which adopted a number of new decisions in connection with the struggle against colonialism and racialism, including a decision concerning the abolition of South Africa s mandate over Namibia and the institution of UN trusteeship over that territory and a decision on Aden The question of South West Africa was singled out for special discussion at the Extraordinary Session of the General Assembly held in April June 1967 which confirmed the resolution adopted at the previous session and specified its terms

Thus within the UN as well natural co operation founded on a community of interests grew up between leaders of the national liberation movement, the young independent states and the socialist countries It is now clear for all to see that the existence of the socialist countries headed by the

[1] Adopted on October 22 1965 by 109 votes in favour with one abstention (Great Britain) The South African Portuguese Gambian Honduran Cambodian and Albanian delegates were not present when the vote was taken The Maltese delegate although present did not participate in the voting

USSR which tie down the main forces of imperialism and provide the national liberation and anti imperialist movement with help and support, is of fundamental importance for its expansion and development This atmosphere of businesslike collaboration between the socialist and newly independent states in the struggle against colonialism and racialism came to characterise many specialised international bodies An illustration of this is provided in the proceedings of the 14th, 15th and 16th sessions of the General Conference of UNESCO (1966, 1968 and 1970) on the initiative of the Soviet delegation the UNESCO General Conference adopted a number of important resolutions (UNESCO s Tasks in the Light of the Resolutions Adopted by the General Assembly of the United Nations at Its Twentieth Session on Questions Relating to the Liquidation of Colonialism and Racialism, UNESCO's Contribution to Peace, on the restriction of Portugal's rights within UNESCO, etc), still more far-reaching and significant resolutions regarding these problems were adopted at the 15th, and 16th 17th sessions of the UNESCO General Conference, the initiators of which were again the socialist and developing countries

It would take volumes to describe the aid and support afforded in the past and still being afforded by the Soviet Union to the peoples fighting against imperialism, against all forms and methods of neocolonialism Attempts by some "theoreticians", adopting an ultra-Left approach, to prove that the Leninist policy of peaceful coexistence contradicts the policy of supporting the national-liberation movement are blatantly inconsistent The course of history has shown that the policy of peaceful coexistence for countries with different social systems does not contradict but is, on the contrary, fully compatible with support for the peoples struggling to achieve their national independence and liberty and standing up against the aggressive intrigues of the imperialists

The USSR sent significant aid, including arms, to the Vietnamese people engaged in their heroic struggle against aggression from the United States and its allies It was pointed out in the Central Committee Report to the 24th Congress of the CPSU. "The Soviet Union resolutely de-

mands an end to the imperialist aggression against the peoples of Vietnam, Cambodia and Laos Our country has been and will be an active champion of the just cause of the heroic peoples of Indochina'[1] The USSR and its practical foreign policy have become not only the decisive factor in restoring peace in Vietnam and maintaining it in all continents, but also constitute a source of effective aid and support for the national-liberation movement Lal Bahadur Shastri, the late Indian Prime Minister, had the following to say on this subject during his visit to the Soviet Union in May 1965 "It is for precisely this reason that close co operation between the Soviet Union and the countries of Asia can go a considerable way towards consolidating the future independence and future prosperity of Asia The history of co-operation between our countries in both the political and economic spheres is marked by significant and impressive achievements"[2] An important landmark in Soviet-Indian relations was the Treaty for Peace, Friendship and Co operation between the USSR and India that was signed in Delhi on August 9, 1971[3] It represented a new contribution to the consolidation of peace throughout the Asian continent Not only the friends of the USSR but also this country's opponents now give due acknowledgement to the large-scale and effective financial and technical assistance which the Soviet people afford the developing countries In 1964 alone several hundred industrial enterprises and other projects were completed in a total of more than 20 newly liberated countries, including 34 enterprises and workshops of the ferrous and nonferrous metal industries, over 30 engineering and metal-processing works, over 20 chemical plants and oil refineries and more than 20 electric power stations Soviet aid to the developing countries has since almost doubled, and the number of students from Asian, African and Latin American countries studying in Soviet universities and technical colleges has also doubled in the period 1961 and 1966, over the same period the number of Soviet teachers, doctors and other personnel working

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[1] *24th Congress of the CPSU*, p 30

[2] L B Shastri, "Speech at a Reception in the Indian Embassy in Moscow on May 13, 1965' (*Pravda*, May 14, 1965)

[3] See *Pravda*, August 10, 1971

in twenty three countries of Asia and Africa has increased four times over[1] Soviet loans, equipment and technical experts have made it possible to complete the High Aswan Dam and a number of other related industrial projects which will not only solve Egypt electricity problems but also make possible more than a 30 per cent increase in the total cultivated area of the country This great scheme has become a symbol of the fraternal ties and co-operation between the USSR and the Arab and African countries Thousands of Soviet experts are working in a large number of developing countries helping to set up and revitalise their economies and promote their scientific and cultural advance

However the struggle against colonialism is by no means over Now that a good 13 years have passed since the adoption of the UN Declaration on Granting Independence to Colonial Countries and Peoples, 45 territories with a total population of 28 million are still subjected to conditions of colonial slavery, not counting the 16 million Africans living in the Republic of South Africa where they are exposed to conditions of cruel racial discrimination

Colonial rule which lasted for several centuries left in its wake most unjust international division of labour, reducing the former colonies to little more than suppliers of the world's cheapest manpower, raw materials and agricultural produce, and an enormous economic gap between the industrially developed capitalist countries and the developing countries of Asia, Africa and Latin America This can be illustrated, for example, by the fact that in the capitalist states of Europe and the United States which account for less than 15 per cent of the world's population the annual per capita income in 1960 averaged 1,800 dollars (in the United States over 2,500 dollars and in the West European countries the equivalent figure was approximately 1,200 dollars), while in the developing countries of Asia, Africa and Latin America, where *more than half* the world's population is concentrated, the average annual per capita income in 1960 was 137-140 dollars or thirteen times less The average per capita income in Asia for that year was 72 dollars, in Africa 89 and in Latin America 201 dollars Official data

[1] *23rd Congress of the CPSU*, p 38

put out recently by the Secretariat of the UN Regional Commission for Asia and the Far East (ECAFE) show that there has been little change in the situation in the developing countries in the interim

Table 1

The Per Capita Gross National Product in the Developing Countries in 1950 and 1967[1]

Developing Regions	Gross National Product				Population		Area	
	Share in per cent		Per capita GNP (in dollars)		Share in per cent		Taken as a whole (per centage)	Total agricultural (in per cent)
	1950	1967	1950	1967	1950	1967		
Total	100	100	106	157	100	100	100	100
Latin America	36	38	256	362	15	16	32	31
Africa	15	14	78	114	20	20	45	40
Middle East	2	4	134	342	2	2	6	10
South and *Southeast* Asia	47	44	78	102	63	62	17	19

It has also been calculated that the gross national product of the USA and Canada taken together exceeds the GNP of all the Latin American countries fifteen times over, the GNP for Western Europe, taken as a whole, exceeds that of the whole of Africa ten times over, and the GNP of Japan is equal to that of all the countries of South and Southeast Asia Similar comparisons can be made using other indices For instance, in 1961 the output of steel in the industrially developed capitalist countries was 230 million tons and of electric power approximately 1,750 thousand million kilowatt hours, while the corresponding figures for the developing countries were as follows 12 million tons of steel (Asia five million, Latin America four and a half million and

[1] See *Review of Asia's Economic Growth in the 1960 s and Prospects for 1970 s* Prepared by the ECAFE Secretariat (UNESCO/Minedas/REF/2 p 3)

Africa two and a half million)[1] and 160 thousand million kilowatt hours (Latin America 76 thousand million, Asia 44 thousand million and Africa 43 thousand million)[2] The less developed countries accounted for a mere ten per cent of world industrial production Per capita output in heavy industry in these countries is over thirty times less than in the developed capitalist countries, and the output of the metal processing industry is 50 times less The total value of annual industrial output for the whole of Africa (not counting the Republic of South Africa) is approximately three thousand million dollars, i e , less than the annual figure for Sweden In the majority of the young states there is, as a rule, a shortage of qualified local personnel indispensable for ensuring that their economy, scientific and cultural development get off to a new start The vast majority of children in these countries have still not been given the chance to receive an education As a result in the twentieth century—a century of discoveries, the application of nuclear power, space exploration and other outstanding scientific and technical achievements—there are still roughly 700 million illiterates in the developing countries and remaining colonies, a figure which represents about 20 per cent of the world population[3] The technological revolution now in progress has virtually bypassed the majority of the developing countries This means that economic backwardness, low living standards, illiteracy of native populations and hunger[4] are the legacy of the shameful colonial system The position is made still more serious by the fact that the majority of developing countries still remain within the orbit of the world capitalist economy,

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[1] *Yearbook of National Accounts Statistics 1962*, U N , New York 1963 pp 314 17

[2] *Statistical Yearbook 1962*, U N , New York, 1963 pp 257, 310 18

[3] The figure would reach a thousand million if semiliterates are included (see *World Conference of Ministers of Education on the Eradication of Illiteracy* Teheran September 8 19 1965 Final Report p [illegible])

[4] Approximately 30 million people die of hunger every year and approximately 375 million people are living on the brink of starvation In these countries every third child born dies before reaching adulthood (FAO data)

thus constituting the object of cruel exploitation by the imperialist monopolies. Monopolies from the imperialist powers export approximately six thousand million dollars every year as profits on invested capital alone.[1]

Possessing as it does an enormous arsenal of means for implementing its neocolonialist policies, imperialist monopolies has come to constitute the main obstacle in the way of complete political and economic liberation and resurgence of the peoples of the former colonies. Officially the United States possessed a comparatively small colonial empire, but that is only on paper. This aspect of American neocolonialism was aptly described by the late Prime Minister of India, Jawaharlal Nehru, at the time when India was still a British colony. From prison he wrote to his daughter Indira Gandhi in the following words on January 3, 1933: "...Do not imagine that the empire of the United States is confined to the Philippine Islands. Outwardly that is the only empire they have got, but, profiting by the experience and troubles of other imperialist powers, they have improved on the old methods. They do not take the trouble to annex a country, as Britain annexed India; all they are interested in is profit, and so they take steps to control the wealth of the country. Through the control of the wealth it is easy enough to control the people of the country and, indeed, the land itself. And so without much trouble, or friction with an aggressive nationalism, they control the country and share its wealth. This ingenious method is called economic imperialism. The map does not show it.... It is this invisible empire that the United States of America possesses."[2]

Nehru wrote those lines in 1933 since when the "invisible" empire of the United States has extended its frontiers considerably,[3] both at the expense of former possessions of the European colonial powers, and that of other states and territories.

Yet in the present era not even the monopolies of the United States, the leading imperialist power, are in a position to

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[1] *23rd Congress of the CPSU*, p. 36.

[2] L. Natarajan, *From Hiroshima to Bandung. A Survey of American Policies in Asia*, New Delhi, 1955, p. 6.

[3] Pomeroy William Jr., *American Neocolonialism. Its Emergence in the Philippines and Asia* N.Y., 1970, pp. 219-28.

stand up alone to the pressures exerted by the national liberation and anti imperialist movement Nowadays this movement is opposed not by individual colonialist powers but by a united imperialist front It was precisely to this end that a special NATO Committee for African Affairs was set up in 1961 designed first and foremost to bolster the colonial and racist regimes in the Portuguese colonies Rhodesia the Republic of South Africa and South West Africa It is no secret that Portugal, being one of the small and least developed European countries, would never have been able to hang on to its colonial possessions in Africa which are more than *twenty times* its size and have a population half as large again as that of Portugal, were it not for the help she received from NATO This accounts for Portugal s refusal to fulfil resolutions adopted by the UN while she pursues openly colonialist policies in her African territories What is more Portugal even resorts to open aggression against young African states as was illustrated by the invasion of the Republic of Guinea by Portuguese soldiers and mercenaries at the end of 1970 which aroused the anger and indignation of progressive public opinion throughout the world and was censured by the Security Council of the United Nations

A striking example of collective colonialism is provided by all the activities of the SEATO bloc that was originally conceived and continues to serve as a buffer against the national liberation and anti imperialist movement of the peoples of Asia

Following in the US monopolies footsteps the West German neocolonialists were the next to set up an invisible empire above all on the African continent using for this purpose still more subtle methods With their tactics of hidden export of capital which takes the form of deliveries of machines and equipment that later entitle the suppliers to participate in the control of the enterprises concerned they have succeeded in penetrating deep into not only the Portuguese economy but also that of the Portuguese African territories Suffice it to say that as early as 1965 the Federal Republic s exports to Portugal and her colonies already exceeded four thousand million escudos while her imports from the same country accounted for only a quarter of that sum By resort

ing to such "hidden" exports of capital the West German monopolies (such as Krupp) were by 1965 already able to dominate the iron-ore mining and metallurgical industries of Portugal and Angola. The irrigation and afforestation projects and the building of aerodromes in Lisbon, Porto, Faro and the island of Madeira are now being financed by West German capital and the same applies to the fish-canning industry in the Cape Verde Islands. The West German monopolies' economic penetration of Portugal and her African colonies is supervised by the Joint Committee for German and Portuguese Economic Co-operation that was set up in 1960. The members of this committee included representatives and confidential agents of Abs, Krupp, Siemens and other leading West German industrialists and bankers. This committee has as its aim to transform the Republic of South Africa and Namibia into a "testing ground" for West German industry.

The monopolies of the Federal Republic and the Republic of South Africa often have recourse to the setting up of "*international consortiums*", for instance, the Johannesburg company IMEX Pty Ltd., involving a wide range of foreign investors, which was set up in 1967. The company was conceived with the aim of establishing control over the economic development of *all southern Africa*. One of the first transactions concluded by this company with Malawi enabled IMEX to control all trade conducted by the newly independent state in return for the construction of its new capital Lilongwe and the necessary loans for this project which the company guaranteed the Malawi Government. Another type of activity engaged in by IMEX is the supply of economic advisers, who have already been employed by the governments of Lesotho, Botswana, Malawi and a number of other African countries. West German monopolies who often act through South Africa in this part of the world are stretching out their tentacles in the direction of Kenya as well. Other strategic objectives of the West German monopolist expansion in Africa are the Portuguese colonies of Mozambique and Angola: in Mozambique it is their South African representatives who are in the foreground while the West German monopolies stay in the background, however in Angola the West German neocolonialists act

in their own name, without using any screen. As far as her economy is concerned Mozambique has long since been dependent on the Republic of South Africa and serves as the main source of cheap labour for the gold mines Significant in this respect is the construction of a dam on the Zambezi River at the Kebrabasi Rapids in Mozambique that is being financed by an international consortium set up by the International Development Association (a branch of the International Bank for Reconstruction and Development) The members of this consortium see the project as an important step in their plans for a "greater South Africa" hatched in Bonn, Lisbon and Pretoria, since on completion of the dam the Zambezi River will be navigable right across the continent as far as Angola and will link the economies of Rhodesia, Zambia, Malawi and Mozambique still more closely with the Republic of South Africa The ambitions of the West German monopolies, however, are not confined to Africa, they also embrace Asia, the Middle East and Latin America To illustrate this it suffices to point out that in the course of the last decade the West German monopolies have succeeded, by means of easy term credits various channels for "aid" including the Asian Development Bank and other methods, in considerably consolidating their influence on Asian trade, in doubling the volume of their trade with Asian countries and thus becoming the fourth most important trading partner in the area (after the United States, Japan and Britain) [1] At the same time it should be noted that approximately fifty per cent of West Germany's foreign investment, totalling 15,000 million marks, is channelled to Asia and that West German capital participates prominently in various "aid" programmes, especially those earmarked for India Thus it can be seen that the Federal Republic of Germany has already succeeded in establishing its "presence" in Asia where it is now actively competing for influence with the other neocolonialist powers Japan is also embarking on the creation of a neocolonialist empire concentrating its efforts first and foremost on the countries of Southeast Asia

While noting the growing role of the monopolies in the United States, West Germany and Japan in implementing

[1] See *The Far Eastern Economic Review*, Hongkong, July 1970

neocolonialist policies in the Third World, it would be wrong to ignore the "old" colonial powers which are also adapting to new conditions and who still have a firm foothold in their former overseas territories. It is important to remember in this connection that these colonial powers have the advantage of rich experience in this field. Let us take Britain by way of an example: for several years now the international press has been discussing the consequences of Britain's withdrawal from the area "East of Suez", yet British monopolies and military leaders are by no means hurrying to withdraw. Britain appears reluctant to abandon her military bases overseas despite the considerable financial problems now facing British imperialists. British monopolies still occupy important economic, financial and commercial positions in a large number of developing countries. This stands out clearly if we consider South and Southeast Asia. Despite competition from American, Japanese and West German capital, British imperialists are waging an active struggle to preserve their grip on this part of the world. In the period 1966-70 state loans and credits made available by Britain to Ceylon amounted to 400 million rupees, the respective figures for Singapore, Nepal, Pakistan and South Korea were 50 million pounds, 5 million pounds, 120 million pounds and 160 million dollars (the last figure relates to the period 1960-70), while the total British aid to these countries in 1969 was approximately 60 million pounds sterling. Private British investment in such countries as India, Pakistan, Burma, Singapore and Malaysia is also substantial: for example in Malaysia and Singapore private British investment is estimated to be worth close on 700 million dollars.

Britain's efforts to consolidate her neocolonialist positions are facilitated not only by her "traditional" ties and relations with the former colonies but also by the presence in them of a ramified and viable system of colonial institutions of both private and public nature. Without making the necessary allowances for this fact it is difficult to appreciate how Britain still succeeds to this day in holding together the thirty Commonwealth countries, and in making active use of this institution to further her neocolonialist ends as can be seen from the outcome of the 18th Confer-

ence of the Commonwealth heads of state held in Singapore in January 1971 The weakening of ties within the Commonwealth sharp protests from the African countries at Britain s decision to resume supplying arms to South Africa and other differences neither led to the collapse of the Commonwealth nor to the failure of the Singapore Conference that the American and West German press had prophesied What is more Mr Heath the British Prime Minister supported by his fellow premiers from Australia Canada and New Zealand achieved a compromise solution with regard to both the Declaration of Principles and the question of the sale of arms to the racist government of the Republic of South Africa Heath also pulled off another skilful manoeuvre at the conference when it came to setting up a special study group to examine the situation in the Indian Ocean in order to counter the concern expressed by the Asian and African member countries in connection with the construction of British and US military bases in the Indian Ocean He tried to speculate on the Soviet threat" (invented by himself) in the Indian Ocean It is interesting to note that even *The Times* wrote in those days that "it would be foolish to regard this [the study group —V V] as more than a slight hope Those who feel passionately about the supply of arms to South Africa will go on doing so whatever the group recommends '[1]

Colonialism is doomed no matter what resistance is put up by the neocolonialists and despite their attempts to launch a counter offensive against the national liberation movement and even against those countries in Asia Africa and Latin America that have already won political independence[2] In conditions when the general crisis of capitalism is further deepening and the national liberation and anti imperialist revolutions gain momentum with the power of the Soviet Union and the entire socialist community tying up the main reactionary and aggressive forces of the world the working people in the colonial countries have the most favourable opportunities for opposing impe

[1] *The Times* January 21 1971 p 15

[2] The evidence of this is a resolution adopted by the House of Representatives giving the USA the "right" to armed interference in the internal affairs of Latin American countries

rialism. In conditions, when the socialist countries play the leading role in the world revolutionary process, when they influence decisively the course of the national-liberation struggle, the partners in aggressive blocs and neocolonialist policies find it ever more difficult to preserve their domination in the former and remaining colonies. The fair policies of and support rendered by the USSR, other socialist countries and the revolutionary movement in the capitalist countries to the national-liberation movement and developing countries, compel imperialist monopolies and governments to disguise their colonialist policies, to change their methods, join forces and even make concessions to developing countries.

Even prominent figures in imperialist countries have to admit that the colonial system of imperialism is falling apart and no force on earth can stop this process. They also see the need for doing away with the consequences of this system in the former colonies. And colonisers are obliged to start talking a different language adapting and modifying their methods and policies, including their campaign against the growing authority enjoyed by the USSR and other socialist countries and their influence in the newly independent states. The ruling circles of the imperialist countries mobilise their state machine, scientists and experts to "study" the experience and influence of the socialist countries in the developing states in the hope of undermining that influence. To this end international conferences, meetings and symposiums are held. The first international conference for Western scientists and experts was held in 1956 in Stuttgart under the auspices of the German Society for East European Studies, which however ended in fiasco. In 1958 a similar meeting was convened in Bad Ausse (Austria) to debate the issue: "The Soviet Union: A Model for Asia?" In September 1960 a further international conference was sponsored by the Japanese Society on Communism in Europe and Asia at Lake Kawaguchi (Japan) However the most important conference of this type held at the period in question was that organised by Professor Kurt London (who had been an active figure at all the previous meetings), Director of the Institute for Sino-Soviet Studies at the George Washington University. It was held

in Athens in September 1962 and attended by international affairs experts from twenty two countries including a number of countries in Asia and Africa The conference met to discuss The Non Aligned Afro Asian Countries in a Divided World Approximately sixty specialists took part in the discussions Representatives from the Western countries opened the attack against the non-aligned countries for their friendly attitude towards the USSR and other socialist countries Particularly vociferous in this respect were the American delegates (Kurt London, Ruppert Emerson who read a paper entitled Colonialism Yesterday and Today" and others) who tried to prove that colonialism was a thing of the past and that the traditional colonial powers were to blame for all the present difficulties Yet these academic" papers presented by Western delegates gave rise to protests from the Asian and African experts present and the conference was soon deadlocked Kurt London was obliged to admit that the American play for an effort to forget past bitterness against the former colonialists' had proved inacceptable to the African and Asian representatives[1] Attempts on the part of Ruppert Emerson to demonstrate that the USA and Japan, and not the socialist countries were affording assistance to the national liberation movement and the young states of Asia were, with every justification, assessed as a desire to detract from the importance not only of the role of the Soviet Union and the other socialist states, but also of the national liberation movement itself It therefore did not come as a surprise that this conference, like many of its predecessors, did not prove a success", for the experts from the imperialist countries were unable to reconcile their point of view with the stand adopted by those from Asia and Africa Indeed, the specialists from the imperialist states as they expounded their arguments tried to 'forget" such historical landmarks of lasting importance as the Great October Socialist Revolution, the victory of the Soviet Union over German fascism and Japanese militarism, and finally the active help and support afforded the national liberation movement by the countries of the

[1] *New Nations in a Divided World The International Relations of the Afro Asian States* New York London 1965 pp ix x

socialist community They chose to forget' that the October Revolution provided the turning point in the advance of the national liberation movement"[1]

However, not all delegates to the conference even from Western countries, agreed with Emerson for example Professor Jane Degras from Oxford University, in her paper The Communist Attitude Toward Colonialism (to 1941) reminded those present of the considerable influence exerted by the first Russian Revolution of 1905 on the national liberation movements in Persia, Turkey, China and Afghanistan, laying special emphasis on the significance of the Great October Revolution which had introduced a fundamental change[2] to the character and essence of that movement Since then conferences of a similar type have been held annually This enables the monopolies of the imperialist powers to set their experts not merely the task of justifying their neocolonialist policies but also perfecting the methods and manoeuvres employed and modifying them to suit new conditions Not only scientists[3] and politicians[4] have been elaborating new colonial methods and perfecting old ones Engaged in this work are also the government and legislative bodies of the imperialist powers eager to protect monopoly interests It goes without saying that not all documents and research findings of this type are made public In February 1968 news of secret research undertaken by Douglas Aircraft for the Pentagon under the heading Strategic Alliances and Military Targets was leaked to the press This was reported to include detailed

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[1] *Preparations for the Fiftieth Anniversary of the Great October Socialist Revolution* Decision of the Central Committee of the CPSU on January 4 1967

[2] *New Nations in a Divided World* p 28

[3] See for example Ruppert Emerson *From Empire to Nation The Rise to Self Assertion of Asian and African Peoples* Harvard University Press Cambridge Massachusetts 1960 Melvill J Herkomits and Mitchell Harwits *Economic Transition in Africa* London 1964 Alvin Z Rubinstein *The Soviets in International Organizations Changing Policy Toward Developing Countries 1953 1963* Princeton University Press Princeton New Jersey 1964

[4] See for example Chester Bowles *The Coming Political Breakthrough* New York 1959 James Morris *The Road to Huddersfield A Journey to Five Continents* New York 1963 Edward S Mason *Foreign Aid and Foreign Policy* New York 1964

proposals as how to go about preserving world hegemony in the future This research project" cost the Pentagon ninety thousand dollars The authors of reports and research papers on such subjects try to recommend more attractive" ways of winning sympathy' in the developing countries and how best to weaken the influence of the honest policies of the socialist countries vis a vis the newly independent states which often disrupt the schemes of the neocolonialists In some surveys[1] by experts like Professor Ruppert Emerson referred to earlier, however there is no denying hackneyed attempts to prove that the peoples of the former colonies would be unable to develop their own economy and culture let alone become really independent were it not for the help of imperialist tutors In his work we find the same old story about enlightened colonialism designed to demonstrate that the emergence of new independent states on the ruins of former colonial empires is nothing more nor less than the result of the civilising mission carried out by the old colonial powers Emerson also tries to accuse the USSR and other socialist countries of giving aid to the emergent countries for propaganda purposes

Similar documents have been published in Britain as government White Papers annual reports of the Colombo Plan Consultative Committee etc Similar papers are drafted and published in West Germany where an enormous apparatus has been set up to pave the way for the expansion of that country s monopolies in the developing states it includes close on 250 state and private organisations dealing with questions of aid for development It should be noted in this connection that West German state-monopoly capital succeeds particularly effectively in disguising the true aims of its expansion in the developing countries frequently resorting to democratic and even socialist" slogans so as to push its new model of the third road as an alternative to some kind of socialist orientation

Exclusive and bloc organisations regularly publish a variety of material and specialised reports on aid to developing countries these include the EEC or Common Market the Organisation for Economic Co operation and Development

[1] Ruppert Emerson op cit

(OECD),[1] the Organisation of American States (OAS) and others, whose activities are closely linked with the policies of the principal members of these organisations

The diplomatic and propaganda bodies of the main imperialist powers have also been stepping up their activities in this sphere Every year the US State Department sets up more and more affiliated services, committees, etc In 1966 alone the Policy Planning Council, which is also concerned with relations between the United States and the developing countries, set up two special consultative groups one of these was to examine problems connected with the current economic growth and development of the independent states (including problems of "aid" in the form of food supplies) of Asia, Africa and Latin America The other was to draw up long term plans for work in this field taking into consideration relations between the socialist countries and the Third World At the end of 1966 the State Department set up another new body, this time an advisory council attached to the Near Eastern and South Asian Regional Bureau This council was to include not only economists and international affairs experts but also a large number of former ambassadors and top ranking civil servants With similar ends in view the State Department also organises regional US diplomats' conferences For instance, in December 1966 a conference for the US diplomats from sixteen African states was held in Addis Ababa at which US strategy and tactics in the given continent were discussed The conference, chaired by Joseph Palmer, Assistant Secretary of State for African Affairs, resolved that US policy in Africa should take the form of more active intervention in the affairs of the African states, firmer opposition to combat the national liberation and anti imperialist movement Commenting on this conference the Nigerian paper *West African Pilot* wrote The catalogue of coinci-

[1] See *The Flow of Financial Resources to Countries in Course of Economic Development, 1955 1959*, OECD, Paris 1960 *The Flow of Financial Resources to Countries in Course of Economic Development in 1960*, OECD, Paris 1961 *The Flow of Financial Resources to Less-Developed Countries 1956 1963*, OECD, Paris 1964, *Development Plans and Programmes (Studies in Development)*, Development Centre of the OECD Paris 1963 *Development Assistance Efforts and Policies 1966 Review*, OECD, Paris, September 1966, etc

dences, if strung along with previous meetings of this nature is too great to be regarded as a mere accident How could the string of changes of governments in Africa which followed the meeting of May 1965 be explained? [1] The Foreign Policy Association of America also assists in the elaboration of new, more attractive' forms and methods for dealings with the developing countries it organises annual conferences devoted to various aspects of US foreign policy [2]

All this demonstrates that the old "classical" methods of colonialist plunder and pillage are gradually giving way to new more subtle methods of oppression and systematic exploitation of former and existing colonies, while the essence of colonial politics has remained unchanged

[1] *West African Pilot*, December 23, 1966
[2] See *The New York Times*, May 28, 1968

CHAPTER II

NEOCOLONIALISM AND ITS METHODS

In the current world situation the imperialist monopolies are no longer able to rely on the effectiveness of the old "classical" methods. Now that they are obliged to adapt to the new situation they disguise their colonial policy, modifying old methods and evolving new ones for its implementation and altering their strategy and tactics. The changing course of history has given rise to a whole series of new methods and manoeuvres that characterise neocolonialist policies.

The term "neocolonialism"[1] has made a firm place for itself in historical jargon although it is often defined and interpreted in a host of different ways. While making no claim to a complete or exhaustive definition of such a complex phenomenon as neocolonialism in the international arena of the present period, a modest attempt at such a definition is necessary before proceeding with this analysis.

Neocolonialism is the colonial policy of the era of the general crisis of capitalism and the transition to socialism implemented by the imperialist powers in relation to the former and existing colonies by means of more subtle methods and manoeuvres so as to propagate and consolidate capitalism and impede the advance of the national-liberation movement, extract the largest possible profits and strengthen the economic, political, ideological and military-strategic footholds of imperialism.

One of the *most important methods typical of neocolonialism*

is the introduction of *new forms for the export of industrial and finance capital* (the creation of mixed societies and companies international and private funds, corporations and consortiums, the securing of assurance against risks in connection with capital investment, loans and credits on the one hand, and with profits on the other, the approximation of financial bodies to objects of oppression and exploitation the concealed export of capital, etc) Others include *"aid" and development programmes, trade practices* (various forms of non equivalent exchange, dumping, protectionism, mal practices in the chartering of cargo vessels, etc), attempts to relinquish no more than *the outward trappings of political independence to former colonies, the establishment of military bases and blocs, various types of intervention in the internal affairs of the developing countries, the fanning of armed conflicts and local' wars* and attempts *to use international and regional organisations* in the interests of neocolonialist policy It should be noted that these and other neocolonialist methods are used, as a rule, in conjunction with each other and variations depend on the situation pertaining in a given country Moreover the active opposition to neocolonialist policies on the part of the Soviet Union and other socialist countries and the developing countries themselves compels the imperialist monopolies to keep perfecting their methods and manoeuvres, think up new ones and even make certain concessions to the developing countries

1 NEW FORMS FOR THE EXPORT OF INDUSTRIAL AND FINANCE CAPITAL

In a study of neocolonialist methods it is imperative to lay prime emphasis on various *new forms for the export of capital* as one of the main methods through which the people of the remaining colonies and newly independent states are oppressed and systematically plundered The imperialist monopolies have frequent recourse to this method in order to exploit manpower resources and the natural wealth of the developing countries, since it secures them high profits While private American overseas investment in the immediate post-war years rose in value (making allowances for reinvestment)

by an average of 2,500-3,000 million dollars each year,[1] the annual profits from direct investment exceeded the total capital exported in that particular form many times over for example over the period 1957 60 the total direct American private investment in all developing countries increased by close on 1,830 million dollars while *profits* over the same period reached 6,000 million dollars Or again between 1951 and 1954 the *profits* of foreign monopolies in Latin America totalled 3,276 million dollars, while the *actual inflow* of private foreign capital over the same period accounted for a mere 662 million dollars[2] According to Chile government figures American private investments in Latin America by June 1969 totalled 12,000 million dollars, while the profits gleaned from these countries by the USA exceeded the net American private investment by 761 million in 1962, 801 million in 1963, 895 million in 1964, 965 million in 1966 and 1,022 million in 1967 Data compiled by the Inter-American Committee of the Alliance for Progress reveal that the total profits reaped by US monopolies in 1969 in Latin America totalled 2,140 million dollars, 700 million dollars of which were accounted for by profits of US oil companies in Venezuela

Even US politicians feel themselves obliged to call attention to this state of affairs. for instance Senator Charles Mathias, Jr , pointed out the following. Capital flows from Latin America and into the United States are now over four times as great as the flow south The countries of Latin America, in a way, are actually giving foreign aid to the United States, the wealthiest country in the world '[3]

A still more graphic illustration of this situation is provid-

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[1] The total value of US direct investment overseas in 1964 was 44,000 million dollars and the equivalent figure for British investment the same year was 5,500 million pounds sterling The total value of US direct investment abroad for 1968 was 64,700 million dollars See *Wall Street Journal*, October 28, 1969

[2] Direct foreign private investment in Latin America in 1961 totalled 14,500 million dollars

[3] Gunnar Myrdal, *The Challenge of World Poverty A World Anti Poverty Program in Outline*, Washington, Pantheon Books 1970 p 323

ed by various other countries. Between 1957 and 1960 the inflow of foreign capital to Morocco totalled 235,500,000 dollars while the outflow (in the form of interest, dividends etc) exceeded 770 million dollars The Peruvian economist Carlos Malpica has calculated that over the period 1950-68 American monopolies exported capital totalling 341 million dollars to Peru, while their profits for the same period reached 1,512 million A similar picture is provided by the Philippines according to figures put out by the Central Bank of the Philippines total foreign investment increased by 154,340,000 dollars between 1960 and July 1969, while profits from that investment exceeded 386 million dollars over the same period

Thus the imperialist monopolies are gleaning profits considerably in excess of the capital they export to the developing countries

It is the oil companies that reap the largest profits, companies that until recently have been in almost complete control of the extraction, processing and sale of oil and oil products in many developing countries, particularly in the Middle East, Venezuela, Colombia, Argentina, Brazil Bolivia and also in Africa (Somalia, Algeria and the Republic of South Africa) For instance, between 1954 and 1963 the American companies Tropical Oil, Texas Petroleum, Standard Oil of New Jersey and the British Royal Dutch Shell which together are exploiting almost 22 million acres in the oil centres of Colombia (Tibu, Casabe, Cantagalio, El Dificil, etc), invested 716 million dollars and took out of Colombia 893 million dollars over the same period However the latter sum in no way represents the total profits, which are considerably larger An idea of the scale of the profits gained by the oil companies can be obtained via a closer look at the example of Venezuela According to the figures drawn up by the Inter-American Committee of the Alliance for Progress, the profits of the US oil companies in Venezuela for 1969 alone came to close on 700 million dollars It is therefore no mere coincidence that the major part of the American monopolies' foreign investment is channelled to the oil industry, a fact which is clear from the official figures drawn up by US Department of Commerce listed below.

Table 2

Foreign American Investment* for 1962-68
(in thousands of millions of dollars)[1]

Year	*Total*	*Proportion allocated to the oil industry*
1962	3.57	1.63
1963	4.04	1.89
1964	4.55	1.93
1965	5.97	2.36
1966	7.09	2.17
1967	7.90	3.26
1968	7.08**	3.00

* Including reinvestments
** Including direct private investment—5,270 million dollars

It is precisely the high profits obtained from investment in this field that account for the ferocity of the "battle for oil" waged by the monopolies both with the developing countries and between themselves. In regard to this "battle" the "conquest" of new regions that do or may contain rich oil deposits has assumed vital importance. For example, by the end of 1970 sixteen companies engaged directly or indirectly in the search for new oil deposits were at work in the Republic of South Africa. A deal has been concluded between American and Japanese oil companies for prospecting and opening up oil deposits in South Vietnam. In this connection nine major Japanese oil companies set up a joint company for oil prospecting and extraction in the Mekong Valley in March 1971. The shareholders in the new Ocean Oil Company include Japan Petroleum Development Corporation, Mitsubishi Shoji Kaisha and Mitsui & Co. The Saigon regime has already granted concessions for the prospecting and extraction of oil for a period of five years to the American company Gulf Oil Corporation and Japan's Ocean Oil Company.

At the end of 1970 the US Continental Overseas Oil Company concluded an agreement concerning oil prospecting in Niger (in the Niger Valley and the neighbourhood of Lake Chad). Texaco, Bishop Oil and Global Energy compa-

[1] *New York Herald Tribune*, Paris, November 9, 1966; *Wall Street Journal*, October 28, 1969.

nies have also obtained licenses for prospecting in that country

On March 11, 1971 the US International Petroleum, Continental Oil and Superior Oil (California) companies signed a contract with the Colombian State Company, Ecopetrol, allowing them to start prospecting in the eastern part of that country and providing for subsequent joint exploitation of deposits in an area covering nearly two and a half million acres In mid March 1971 the Anglo-Dutch Shell announced that it had discovered oil deposits off the south coast of Gabon

So the continuing battle for oil' between the developing countries and the oil monopolies, and the "oil fever" which has infected the latter testifies once again to the enormous advantages to be gained from this type of investment

The economic and financial exploitation of the developing countries is of prime importance in the context of neocolonialism While pursuing basically similar aims as in the past, neocolonialists in the current situation now have recourse to new manoeuvres for implementing the old aims, and this applies also to the export of capital In the post war years a number of new trends and forms for the export of capital developed, one of the most important of these being the *creation of mixed companies and societies involving local capital* The essence of this trend is to allow the participation of local capital in the economic life of the developing countries and give the latter the illusion of 'collaboration" or 'partnership', while retaining control over the economies of such countries Insofar as even here the outlays on manpower are still small in view of the high rate of exploitation of the native population, the profits obtained by the monopolies investing capital in the mixed societies and companies are still very high This method is also made wide use of by the American monopolies in Thailand (where 11 mixed companies have been set up), Taiwan, the Philippines, Hongkong (where there are 200 mixed and regional companies, societies and banks), Malaysia, Singapore (close on 20 mixed enterprises), India (close on 40 mixed projects) and a number of other countries British, Japanese, West German and French monopolies also apply this method

Another new trend discernible in present-day neocolonialism is to *shift the risks* involved in foreign investment onto their own governments or the governments of the countries to which they are exporting their capital and at the same time to secure from them guarantees of superprofits. Under pressure from the monopolies fearing nationalisation and other hazards, the US Government, for example, not only guarantees to make good losses but also imposes on the governments of many developing countries agreements guaranteeing the monopolies a number of other advantages and privileges at the cost of those countries. Similar agreements have been imposed by Britain, the Federal Republic of Germany, France and other imperialist powers on many former colonies

Thailand provides a good illustration of the practical repercussions of this policy. At the demand of the American companies the Thai Government issued a special law in 1962 which granted American investors the following guarantees and privileges[1]: the Thai Government guaranteed not to set up any enterprises anywhere in the country which might compete with the enterprises of the foreign companies; permitted the said companies and enterprises to purchase land on a scale exceeding that laid down for local companies; guaranteed not to obstruct in any way the export of the output of these enterprises, to prohibit the import of, or raise duties on goods that might compete with those put out by the foreign companies' enterprises. In addition an agreement between the United States and Thailand stipulates that with regard to investment in Thailand the US Government has the right to guarantee compensation for any losses incurred, even those resulting from possible war. The passing of this law facilitated to a considerable extent the penetration of the Thai economy by American private capital. The Thai Government which is becoming increasingly dependent on the US monopolies was obliged to become a party to the shameful war in Indochina. The Americans were not only using military bases situated in Thai territory for air attacks on the villages and towns of Vietnam, Laos and Cambodia, but also compelled

[1] *Industrial Investment Act BE (1962).*

the Thai Government to increase the contingent of Thai troops fighting in Vietnam to protect the interests of the American monopolies Many developing countries (states in the Persian Gulf, Iraq, Libya Algeria, Nigeria, Venezuela etc) as pointed out earlier, have started actively opposing the domination of foreign monopolies, including the sphere of capital investment

Another means of exporting capital typical of neocolonialism is the creation of *international private funds consortiums and corporations* designed to secure favourable preinvestment conditions" for the imperialist monopolies in the developing countries These funds as a rule grant small loans and export mainly portfolio capital The Atlantic Community Development Group for Latin America (ADELA) provides a good example It was set up with the collaboration of 120 private companies and banks from Western Europe the United States, Canada and Japan Within its first year ADELA had granted loans to Brazil Ecuador, Nicaragua and Chile totalling a mere 5 750 000 dollars while it sold over the same period over 20 million dollars' worth of shares In April 1969 the South African International Consortium was set up in order to acquire oil concessions in Angola Its members include Britain's General Mining and Finance Corporation (30 per cent holding), the South African National Life Assurance Company (SANLAC) (21 per cent holding), the Anglo American Corporation of South Africa (18 per cent holding) and Johannesburg Consolidated Investment (5 per cent holding) Local capital is also frequently encouraged to participate in the setting up of these international funds for example India and Pakistan participate alongside the leading imperialist powers in the Indus Basin Development Fund

The granting of loans and credits of both a private and government variety has long since become not only one of the main forms for exporting capital but also one of the major *levers of neocolonialist policies* The new aspect of this method now discernible is the *shifting of the risks involved in external credits on to the government* through which the monopolies secure for themselves the same advantages which in the past they had obtained through the export

of capital in its traditional forms. Post-war experience has shown that this provides the most reliable guarantee for exporters of finance capital to the developing countries, insofar as it enables the monopolies and banks to retain all their former advantages and shift the risks on to the government, or to be more precise, the tax-payer

Brazil is one of many countries whose economic development has been affected by the shackling conditions attached to such loans and credits granted by the banks and governments of imperialist states. After the last war Brazil decided to industrialise within the framework of state capitalism. Brazil's economic dependence on the United States[1] and her backward economy necessitated importing not only equipment but also raw materials. In 1958, for instance, these goods accounted for seventy per cent of Brazil's imports In view of fluctuating prices for Brazilian exports, including coffee,[2] Brazil is not in a position to make full use of her export earnings so that a large proportion of the latter fall again into the hands of the American monopolies As a result despite the fact that Brazil's trade balance for the ten years 1947-57 improved considerably, her balance of payments remained unfavourable (—1,502 million dollars). In practice this meant that during the given decade while exporting valuable commodities on a substantial scale Brazil had remained in debt to the United States and so as to cover these debts had been obliged to turn to that country, the IBRD and IMF for further loans. As a result by the beginning of 1959 Brazil's external public debt exceeded one thousand million dollars,[3] and by 1961 it had

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[1] Over 300 US firms are installed in Brazil and the total values of private investments alone had reached one thousand million dollar by 1966. See *The Christian Science Monitor*, January 11, 1966

[2] Coffee is Brazil's main export commodity and in 1966 accounted for 60 per cent of the country's total exports (in terms of value).

[3] Between 1946 and 1959 Brazil received the following loans from the Export-Import Bank of the United States—1,337 million dollars; in accordance with an agreement concerning deliveries of American agricultural "surpluses" 150 million (between 1956 and 1959); as technical "aid" forty million dollars; from private US banks—258 million (until the end of 1958); other private loans accounted for 150 million. Thus over the period 1946-58 Brazil's debts have grown by more than 1,900 million dollars

reached 3 800 million dollars and has been growing ever since On December 31, 1968 this debt had attained the colossal figure of 4 300 million dollars [1] In other words Brazil s enormous debts are virtually the result of long years of exploitation by US monopolies and banks

According to Mexican economist Victor Urquidi the external debt of Latin American countries had reached 10 500 million dollars by the end of 1964 The external debt of all developing countries had reached ten thousand million dollars as far back as 1955 and by the end of 1964 the figure was thirty thousand million dollars or fifteen per cent of the total revenues of the countries concerned for the given year On December 31 1969 the external debt of 81 developing countries exceeded 59 000 million dollars (Asia and the Middle East accounted for 26 000 million Africa for 9 180 million and Latin America for 17 680 million) while payments to cancel this debt totalled five thousand million dollars in the same year [2] This illustrates how financial aid to the developing countries (including loans and credits) serves in practice to accelerate the extortion of the already meagre financial resources of these countries

The geographical distribution of loans credits and subsidies corresponds almost exactly to the concentrations of the imperialist powers' industrial capital exports US loans credits and subsidies are distributed throughout the world as a whole showing a tendency however to concentrate in the former colonies of Britain France Spain Belgium Portugal and the Netherlands while the latter countries grant loans and credits first and foremost to their own former and existing colonies [3]

Efforts to step up the effectiveness of monopoly capital in the developing countries are also reflected in the continuing *approximation of financial bodies to the objects of oppression and exploitation* This involves the opening of more and more new branches and departments of leading

[1] *World Bank International Development Association Annual Report 1970* p 73

[2] *World Bank International Development Association Annual Report 1971* pp 66-69 *Partners in Development* p 372

[3] *The Flow of Financial Resources to Less Developed Countries 1956 1963* pp 43-46

within the framework of the world capitalist economy, and ensure constant high profits from the export of industrial and finance capital Indeed the alignment of economic and financial forces in the capitalist world itself has undergone a marked change since the last war. In this respect attention should be drawn to the rapidly growing activity of the Federal Republic of Germany and Japan with regard to the export of capital Total direct private investment made by West German monopolies overseas increased by more than 7,000 million marks over the relatively short period 1952-64, and more than a third of that sum went to the developing countries[1], between 1950 and 1965 the Government of the Federal Republic granted loans and credits totalling 23,300 million marks to the developing countries.[2] Almost five thousand million of this direct private investment is allocated to *participation* in existing or newly established firms and companies in the developing countries. Of them about 3,500 million marks go to ensure *a controlling interest* The monopolies of the Federal Republic show particular interest in African countries rich in valuable raw materials for example by the end of 1966 West German investment in the Republic of South Africa totalled 1,000 million marks [3] In 1966 alone the Deutsche Bank granted the Anglo-American Corporation of South Africa credits totalling 50 million marks and another 180 million marks to the Palabora Mining Company Ltd thereby obtaining a considerably larger share of the diamonds mined by the company

A country which provides a graphic illustration of the penetration of West German capital in Latin America is Venezuela The volume of trade (in terms of value) between the FRG and Venezuela, in the period 1963-67 alone, grew by approximately 300 million dollars.[4] The Deutsch-Suda-

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[1] Of which 824 million was invested in Brazil

[2] Of which 4,000 million marks was invested in Latin America

[3] By 1976 West German monopolies and banks plan to increase their investment in South Africa to 7,500 million marks

[4] In 1963 West German exports to Venezuela totalled 293,800,000 dollars and their imports from Venezuela 226 930,000 dollars; in 1967 exports had reached 527,480,000 dollars and imports 277,380,000 dollars

merikanische Bank A G and various other banks and concerns started setting up branches in the country A similar state of affairs is to be found in Colombia, Brazil, Mexico and Nicaragua[1]

Uranium mines bring in still greater profits to the West German monopolies Uranium mining in the Republic of South Africa is under the heavy control of the Deutsche Bank and the DEGUSSA company, this control is exercised by the West German banker Hermann Abs, chairman of the Deutsche Bank and the industrialist Felix Prentzel, general director of DEGUSSA, both these men also occupy leading posts in the I G Farbenindustrie concern and the Institute for Developing Countries, which "co-ordinates" the export of West German capital to the developing countries In view of opposition on the part of US and British capital—Britain according to official statistics still enjoys the dominating position in the South African economy[2]—and also for political expediency, i e the desire to consolidate their position in African countries, the West German monopolies are deliberately concealing the actual extent of their investment in South Africa, having recourse to the disguised or concealed *export of capital* In this connection it is important to stress how the West German monopolies extend their investment by turning to use the UN resolutions[3] concerning the economic boycott of the Republic of South Africa in protest against apartheid enforced by the country's racist government In violation of these resolutions and a number of resolutions passed by the Organisation of African Unity, West German monopolies extend their trade with South Africa from year to year South Africa's trade debt between 1954 and 1966 rose to reach 4,000 mil-

[1] Between 1950 and 1966 the FRG Government invested a total of 13 000 million marks in the Latin American countries (as against 4,000 million private investment)

[2] According to these figures the British share in the total foreign investment in South Africa at the beginning of 1966 was 61 per cent and that of the United States 11 per cent By the end of March 1973 Britain and the USA accounted for approximately 75 per cent of the foreign investments in South Africa

[3] Resolution 1761 (XVII) passed at the 17th Session of the UN General Assembly, and a similar resolution passed by the Security Council on December 14, 1964

lion marks.[1] The West German monopolies have invented a new device: *they transform part of their foreign trade assets into part of their holdings* in South African enterprises.[2] The growth of West German investment in this particular country is also achieved through the setting up of *branches and subsidiary enterprises* of leading West German firms and companies, not infrequently through dummies, the *purchase on the spot* of South African enterprises, the *amalgamation of enterprises or firms on the basis of licensing agreements*, the creation of *international consortiums*. These activities are facilitated to a large degree by South Africa's government trusts which have at their disposal capital of approximately 1,500 million pounds sterling, and are able to create a "paradise" for West German investors. These trusts represent decisive power and enjoy unlimited control over political life in South Africa. The men in charge of the Anglo-American Corporation and other trusts and concerns of the "Oppenheimer empire" were obliged to take account of this and start collaborating with South Africa's state-owned trusts. In their turn West German concerns, firms and banks are actively infiltrating the Oppenheimer empire. For instance, the leading South African steel trust ISCOR, which supplies 75 per cent of the country's steel requirements, gained a strong foothold in the Oppenheimer empire. However it was West German steel trusts that supplied ISCOR with their furnaces and rolling equipment. ISCOR also collaborates with the West German Klöckner concern for the construction of enterprises producing mining equipment in Kleeksdorp near Johannesburg for a South African firm, which supplies this equipment to Oppenheimer's uranium and gold mines. The penetration by West German

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[1] The West German Deutsche Bank, Dresdner Bank and Commerzbank control over 69 per cent of the trade between the FRG and the RSA. Approximately 60 per cent of South African imports from the Federal Republic consists of means of production (machines, electrical engineering, electronic and transportation equipment).

[2] The West German monopolies also try to apply this method in their dealings with other countries including India, as was announced in Delhi by Hermann Abs in his capacity as leader of the delegation of West German bankers and industrialists visiting India in August 1970.

capital of the state-owned concern ESCOM which supplies 80 per cent of the country's electric power began with *deliveries of equipment on credit* and the subsequent transformation of these credits into a West German *holding* in ESCOM's enterprises A leading role in deliveries of this equipment is played by the firm AEG, one of the two leading West German concerns in the electrical engineering industry. Siemens is also participating in ESCOM's expansion, and likewise the Dresdner Bank and Deutsche Bank: by March 1965 the loans and credits these two banks had granted to ESCOM had reached a total of 4,000 million marks.

In the 1950s South Africa's first large factory for processing coal (by the Fischer-Tropsch method) was built for the leading South African chemical trust SASOL More than 80 per cent of the equipment for this factory was supplied by the FRG In subsequent years the West German company Lurgi (Frankfurt-am-Main) provided equipment for the construction of over a third of the SASOL factories Opposition from British and American chemical and oil trusts was overcome thanks to the ties between the Deutsche Bank and the international financial consortium and the additional participation in these projects of the US Kellogg Company.

The West German monopolies' largest investment is in the South Africa's leading mining company, Palabora The international consortium which finances Palabora is headed by the so-called Credit Institute for Reconstruction, the chairman of whose board of directors is the superbanker Abs Palabora produces the world's cheapest copper. its basic assets are 14,148,250 pounds sterling, and it makes fifteen million pounds net profit annually. At least half the stock of the giant tobacco concern Rembrandt[1] again belongs to West German monopolies These facts and others mentioned above allow us to conclude that West German capital is confidently competing with British and American monopolies in the Republic of South Africa, relying on the support of its ruling circles that are made up for the most part of adherents of apartheid.

[1] Basic assets of this concern total 2,000 million marks

The British monopolies are naturally unwilling to concede their position to the Americans or West Germans According to figures published by the South African Trade Association British investments in South Africa grew between 1961 and 1966 from 394 to 2,190 million rands, and 1967 was a record year for South Africa's trade with Britain [1] This all goes to show that the embargo to which so much attention is devoted in the British press is completely ineffective The embargo on arms deliveries to South Africa has proved still less effective than the trade embargo, since there is an increase rather than a curtailment to be observed in arms deliveries to South Africa not only from Britain, but also from the FRG, France and Italy, as was openly declared by Frederick Bamford, president of the South African Trade Association, in May 1968 There is a colossal difference between the official policy of the USA vis a vis the Republic of South Africa, and the activities of the American monopolies in practice US exports to South Africa in 1967 exceeded 426 million dollars (an increase of 26 million on the 1966 figure), and in 1969 the figure had risen to 505 million dollars, almost double the 1960 figure By the end of 1968 over 275 American firms and companies (including Ford, General Motors, American Metal Climax and Newmont Mining Corporation) were installed in South and South West Africa the total value of their investments reached 750 million dollars (28 per cent of all American investments in Africa) by mid 1968 and their annual profits were a hundred million dollars

Japan also plays a conspicuous role in the application of new forms for the export of capital After completing its economic and financial recovery by 1953, Japanese imperialists started to penetrate above all the countries of South east Asia In the years 1951 54 Japan succeeded in establishing diplomatic relations with most countries in the given region and subsequently embarked on expanding its foreign trade links While in 1953 Japanese exports to Southeast Asia were worth only 328 million dollars, by 1959 this figure had risen to almost 1,000 million, in 1966 to 2,630 mil

[1] South Africa's exports to Britain reached 481,900 000 rands and imports from Britain 526 400,000 rands

[illegible]

China Sea. In the following year the Japanese Government sent a special mission there to determine when drilling would start. However the Japanese were taken aback to discover that the Chiang Kai-shek clique had meanwhile "permitted" the American company Pacific Gulf to start prospecting on the continental shelf to the west of Okinawa, claiming that the islands situated along that shelf, i e , the Senkaku Islands, came under their jurisdiction. The American Gulf Oil and Esso, already active in Japan and Okinawa, and Japan's Arabian Oil Company then also entered the fray. The USA in its turn announced that the Senkaku Islands came under the jurisdiction of the American administration on Okinawa, at which the Chiang Kai-shek clique immediately insisted again on its rights to Okinawa. The position was complicated still further by the Seoul régime which had already "permitted" the American oil magnate Phillips to start drilling on the continental shelf to the north of the Senkaku Islands, which was precisely where Japan's Nippon Oil Company had planned to start drilling for oil in 1970 in conjunction with the US Texaco, Standard Oil and Caltex. The importance of the oil discoveries in this area for Japan is obvious in view of the fact that Japan has to import 99 per cent of her oil requirements.

Japanese oil companies have also been most active in other areas and countries, prospecting for oil in Malaysia, Canada, New Guinea and Alaska: in all of these areas they have inevitably come up against opposition on the part of American oil monopolies.

It should be noted that most private Japanese investment is carried out through *associations (mixed societies or firms)* with private or state capital in the developing countries. This method has enabled the Japanese monopolies to penetrate deep into the economies of the countries of Southeast Asia. For example the Japanese automobile trust Toyota has been able to take over the South Korean Sindin Automobile Company by setting up "joint companies" and "companies for technical co-operation". Other Japanese monopolies control the ship-building industry, the transport network and several branches of the chemical and power industries in South Korea. The Japanese monopolies have been

resorting to *concealed export of capital* and thereby succeeded in dominating the economic arena in a number of Asian countries and ousting American and British monopolies In Thailand, for instance, Japanese investment accounts for 50 per cent of all foreign investment, while American investment accounts for a mere 10 per cent of the total and British and West German investment together only 6 per cent [1]

Japan has also started granting foreign loans on a much wider basis In January 1966, the Japanese Government announced its intention of granting yen credits to Afghanistan Nepal, Ceylon, Thailand, Cambodia and Pakistan, and then further afield to Kenya, Uganda, Tanzania and Nigeria, which all in all would total 130 million dollars worth, at an annual rate of interest of 5 75 per cent, while at the same time promising to grant loans to some of the above-mentioned countries at the more favourable rate of 3 3 5 per cent (repayable over a period of twenty years) Despite this expansion Japan still considers Asia as "her" main territory, where her energies should best be concentrated

Japan is also stepping up the pace when it comes to granting credits in this part of the world At a conference of Indonesia s creditors held in Amsterdam in November 1967 it was decided that Indonesia should be granted loans and other types of aid totalling 325 million dollars in all it was agreed that 100 million of these should be provided by Japan In 1969 Japan granted Indonesia a new loan, this time a total of 120 million dollars and this was followed by yet another of 140 million dollars in 1970 That same year Japan granted the next in a series of loans to Burma to the tune of 10,800 million yen In this way Japan is supporting the US principle of regionalism' when it comes to the allocation of aid to the developing countries This goal has come still more clearly to the fore in the course of three conferences for the economic development of South east Asia convened in 1966, 1967 and 1968 At the third of these conferences held in Singapore in April 1968 the Japanese Foreign Minister Takeo Miki obviously implied in his state

[1] Robert Guillain, op cit, p 269

ment that the time had come for Japan to tackle problems of economic co operation in Asia on a broad scale [1] At the Fifth Conference for the Economic Development of South-east Asia held in Djakarta on May 22 26, 1970, Japan succeeded in pushing through a proposal for the elaboration of an aggregate plan for development aid' in the region, although her other proposal (for the setting up of an Asian medical organisation) was only supported in principle In an effort to demonstrate Japan's generosity , the Japanese delegate to the conference announced his government's decision to increase the volume of aid" to the developing countries up to four thousand million dollars a year by 1975, in other words approximately one per cent of the country s GNP Taking note of this the Japanese newspaper *Mainichi Daily News* stressed on May 26, 1970 the degree to which Japan stood to gain from extending her aid programme and drew attention to the existence of fierce competition among Japanese firms for the right to participate in the implementation of this programme

The example of India illustrates clearly the ferocity of the struggle for capital investment spheres, since India is a country of particular interest to the foreign monopolies Being in need of foreign capital the Indian Government was obliged to make a number of concessions to foreign firms in the early years of independence and foreign investors were given unlimited scope for their activities, that is barring those limitations to which Indian private capital was also subject They were also given complete freedom to transfer capital and profits abroad Only in recent years has the Indian Government begun to introduce some restrictions as Indira Gandhi announced during her negotiations with the president of the Deutsche Bank Hermann Abs, in June 1970 In November of that year the government officially declared that the share of foreign capital in mixed enterprises would henceforth be restricted to a 40 per cent holding (previously holdings of up to 49 per cent had been permitted) However, at the time the government did not go as far as to nationalise foreign firms, banks and companies They continued to function and extract high profits

[1] See *The Japan Times*, April 10, 1968, p 10

Western economists have admitted that "the profits repatriated by foreign firms plus the cost of servicing and repayment of foreign loans every year add up to a total which equals, if it does not exceed, the inflow of fresh foreign aid and investment' [1] The Indian Investment Centre has calculated that private foreign investment up to the end of March 1971 totalled 14,824 million rupees The progression of direct and portfolio foreign investments from year to year over the period 1948 67 presents the following picture (the data cited below were compiled by the Reserve Bank of India)

Table 3

	Direct	Portfolio	Total
End June 1948	2,646	—	2 646
End December 1961	5,272	1,526	6,798
End December 1962	5,654	1,679	7,333
End March 1963	5,415	2,646	8,061
End March 1964	5,655	3 236	8,891
End March 1965	6,101	3,849	9,950
End March 1966	6,331	4,368	10,699
End March 1967[2]	6,547	5,759	12,306

These figures serve to demonstrate that assertions on the part of foreign monopolies to the effect that the "climate is deteriorating' in India for their investment hold little water: direct private investment is growing from year to year, although at a slower rate than portfolio investment, which accounted for 22 per cent of the total in 1961, 39 per cent in 1965, 41 per cent in 1966 and 47 per cent in 1967 Over the period analysed in the above table the total foreign investment has increased almost six times over! The role of foreign private investment in the ... ...on of

[1] National Herald, Lu...

[2] The figures are in m... for the 1966 devaluation

India's five year development plans is also now much more significant as can be seen from the official data listed below

Table 1

Foreign Private Capital in India's Five Year Development Plans[1]

	Total allocations in private sector (mill rupees)	Foreign capital in private sector (mill rupees)	Foreign capital as a percentage of total allocations in private sector
First Plan	29,1[illegible]0	2 93[illegible]	10 1
Second Plan	5[illegible] 000	10 000	27 7
Third Plan	75 000	22 000	29 3
Fourth Plan	1[illegible]9 020	40 000	[illegible]5 1

According to figures published by the Reserve Bank of India private investment by the leading imperialist powers in the Indian economy was distributed as follows in the period 1961 67[2] (See Table 5)

These figures testify to the struggle between the monopolies of the given powers for capital investment spheres in India They show that although Britain still retains first place her private investment in India is growing at a considerably slower rate (938 million rupees over the specified period) than American private investment (1,900 million rupees over the specified period) While Britain's share was 61 per cent at the end of March 1963, by March 1967 it had dropped to 48 per cent while the United States' share over the same period had grown from 15 to 25 per cent West German and Japanese monopolies have also started playing an active role in this struggle, which is still going on, while British private capital is scoring some successes in its efforts to retain and even consolidate its positions According to the Indian press[3] by 1970 the following picture had emerged the share of Britain amounted to 6 554 million rupees (57 6 per cent), the USA to 1 687 million (14 8 per

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[1] *The Eastern Economist*, June 12 1970
[2] In millions of rupees
[3] See *Free Press Journal*, June 4 1970

The developing countries are now able to obtain loans and credits on more advantageous terms from the socialist countries.[1] The USSR alone for the period 1954-61 granted credits totalling three thousand million convertible rubles to the developing countries.[2] This aid is growing from year to year as even the directors of OECD are obliged to recognise. In one of that body's publications it was noted that Soviet aid to the developing countries for the period 1954-68 came to 6,296 million dollars and aid from all the socialist countries taken together to 9,705 million.[3]

Between 1958 and 1968 the Soviet Union signed agreements on economic and technical co-operation with 19 African countries and its long-term credits to these countries amounted to over 1,500 million rubles. These credits go to finance the building or modernisation of more than 300 enterprises. Significantly, this assistance has as its aim to help these countries develop their productive forces and build up their industries. In the beginning of 1968, for example, 78 per cent of all Soviet credits to these countries were earmarked for industrial development (including power production and geological survey), 11 per cent for agriculture and 7.8 per cent for education, health services and cultural development.[4] The Soviet Union helped to build in these countries 13 electric power stations, including the Aswan High Dam, 14 iron and steel works and 15 engineering and metalworking factories.

The creation of these and other enterprises enables the African countries gradually to reduce their imports of costly industrial products (steel, petroleum products, machines and equipment).

Of particular importance is the following circumstance: the Soviet Union renders help to governments which are in a position to make the most effective use of it in their

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[1] The annual rate of interest does not exceed 2.5 per cent and payments are made as a rule either in the country's own currency or in its traditional export commodities.

[2] *Voprosy ekonomiki* No. 7, 1962, p. 146.

[3] *The OECD Observer* No. 46, June 1970, p. 37.

[4] V. G. Solodovnikov, *Africa Chooses Her Path*, Russ. ed., Moscow, 1970, pp. 186-89.

It should be remembered however that governments and monopolies of the capitalist countries only have recourse to gestures of this kind when no other course is open to them They often use such loans as bait while securing for themselves more advantageous terms when granting the developing countries larger loans and credits as emerges from official figures published by OECD The average interest rates on loans to the developing countries rose from 2 5 per cent in 1964 to 3 3 per cent in 1965, while the average repayment periods shrank from 33 to 28 years [1] The Swedish economist Gunnar Myrdal has demonstrated that this tendency is continuing at the present time "In recent years, however, the average rate of interest has been rising again and the average maturity of new loans and the grace period have been shortened "[2] Meanwhile of course profits from these loans grow accordingly as can be seen from the following table·

Table 6

Interest Rates and Repayments on Loans* Received by the 15 Principal Members of OECD between 1962 and 1965 (mil dollars)[3]

Year	Per cent	Repayment	Total
1962	294	423	717
1963	316	489	805
1964	421	699	1 120
1965	458	767	1 225

* Excluding export credits

Therefore these partial concessions do not imply any fundamental changes, for monopoly capital is prevented by its very nature from making any substantial contribution to the economic development of the newly independent states, since its main goal is to secure high profits for itself Official OECD figures also refute assertions made by some bourgeois economists to the effect that the absence of reliable

[1] *Development Assistance Efforts and Policies, 1966 Review*, OECD, Paris, September 1966, p 105
[2] Gunnar Myrdal, op cit, p 289
[3] *Development Assistance Efforts and Policies, 1966 Review*, p 101

national interests No less important are the favourable terms on which Soviet economic and financial assistance is rendered It is a generally recognised fact that Soviet credits are twice as cheap as the credits granted by the Western countries [1] In face of the credits policy pursued by the socialist countries the imperialist powers were obliged from about 1960 onwards to make specific concessions to the developing countries as regards the terms of their loans and credits [2] In February 1966 for instance the United States granted a loan to Cameroun for the construction of the Kumba-Mamfe highway It came to 3,800 000 dollars and was granted for a period of thirty years· repayment was only to begin ten years after receipt of the loan and the rate of interest for the first ten years after repayment begins is only to be one per cent and for the remainder 2 5 per cent On October 16, 1969 the United States granted India a loan of twenty million dollars on similarly advantageous terms repayment to be spread over forty years, at no interest for ten years after receipt of the loan and then at an annual rate of interest of 2 per cent for the next ten years and 3½ per cent for the remaining twenty In December 1970 the United States granted Tunisia a long term loan of ten million dollars repayable at 3 per cent rate of interest with an interest free ten year period after receipt thereof and credit amounting to 1,367,000 dinars repayable over a period of 40 years at a 3 5 per cent rate of interest, and Canada granted Tunisia an interest free loan of three million Canadian dollars repayable over a period of 50 years In March 1971 the United States granted India a loan of 155 million dollars repayable over a period of 40 years at a 2 per cent rate of interest for the first ten years (after an interest free ten year period) and 3 per cent for the remainder According to the terms of that particular agreement, India was entitled to spend part of the loan abroad and not necessarily in the United States

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[1] New Age, June 1960, p 52 *Business Recorder* (Karachi), September 14 1966

[2] The granting in a number of cases of long term credits, some reductions in rates of interest, the agreement to accept partial payment in the currency of the recipient country

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guarantees for foreign capital in the developing countries "frightens off" private investors OECD statistics also reflect the constant (with the exception of 1962/63) growth of private foreign investment (including loans and credits) in the developing countries Private investments made by the 15 member countries of the OECD[1] rose by 17 9 per cent (from 3,044 million to 3,589 million dollars) from 1964 to 1965, while the growth in government investments over the same period was 6 1 per cent (from 5,441 to 5,773 million dollars), not counting international aid programmes and funds Loans accounted for 34 per cent of these countries' *total private investment in 1965 (as opposed to 14 per* cent in 1960) It should be noted that the growth of private investment in the developing countries in 1965 can be accounted for mainly by capital invested by US private banks and corporations There has also been a marked rise in the export of capital to these countries by Japanese and West German monopolies[2] The growing interest shown in the developing countries by the imperialist monopolies anxious to exploit them can be exemplified again and again Let us take the "round table" conference at Addis Ababa in November 1969 which met to discuss foreign *investment* in African countries It was attended by representatives from 20 African countries and 40 corporations from the United States and Western Europe *According* to reports in the African press[3] the initiators of the conference set themselves the task of opening up new horizons for more intensive investment in the African continent and creating more favourable conditions for such investment Despite attempts on the part of representatives of American corporations to present their goals in such a way as if they were concerned to achieve co operation on an equal basis with the African countries, representatives of the latter were beset by anxiety as was reflected in the speech delivered by *Diallo Telli*, Secretary-General of the *Organisation*

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[1] Australia, Austria, Belgium, Britain, Canada, Denmark, France the FRG Italy, Japan, the Netherlands, Norway, Portugal Sweden, the United States

[2] *Development Assistance Efforts and Policies, 1966 Review*, pp 9, 20, 33

[3] *Ethiopian Herald*, November 18, 1969.

of African Unity, warning the representatives that the sovereignty of African countries should be defended against any encroachments At the same time Telli pointed out that the Western countries owed their wealth to colonial exploitation of the African continent s resources, so that their 'aid" should merely be regarded as part of the com pensation they rightly owe the newly independent states of Africa

In their search for advantageous capital investment spheres US monopolies have recently started focussing more attention on Africa, although no more than 500 of their 5,000 companies and firms investing capital overseas are

Table 7

Direct Private US Investment in Africa (mil dollars)[1]

Investment sphere	1961	Per cent of total	1967	Per cent of total	1968	Per cent of total	1969	Per cent of total
Oil	498	46 8	1 219	53 6	1 555	58 6	1 756	59 0
Mines and foundries	283	26 6	400	17 6	403	14 5	427	14 2
Industry	122	11 5	370	16 3	395	15 0	454	15 6
Trade	57	5 4	151	6 6	163	6 1	183	6 2
Government services	6	0 6	3	0 1	4	0 15	5	0 17
Other spheres	98	9 2	[131	5 8	156	5 65	146	4 83
Total	1 064	100	2 274	100	2,676	100	2 971	100

as yet installed in this particular continent However the activity of these firms in Africa has been stepped up con siderably of late

The above data reflect the imperialist, neocolonialist character of American monopoly capital in Africa here as in other developing countries and regions the bulk of

[1] "Les Marches tropicaux et mediterraneene", January 16 1971 p 134 See also *The Christian Science Monitor*, April 22 1970

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their direct investment is concentrated in oil and mining industries (more than 70 per cent), which ensure the highest profits

The creation of favourable conditions" for American private capital lay behind US monopolies' "new approach' to this seething continent Similar aims are pursued by the Overseas Private Investment Corporation, recently set up in the United States

Thus it can be seen the export of capital enables the monopolies to effect shameless exploitation of the natu ral wealth and manpower resources of the developing countries and thereby secure enormous profits and sub ject these countries to their influence and control As these monopolies combat socialism and impose their system of free enterprise' in these countries, they in no way set themselves the goal of helping them to overcome their economic backwardness By fabricating false statistics bourgeois economists attempt to conceal the actual extent of their plunder and exploitation of these countries, making the most of and advertising for all they are worth the inflow of financial resources to the developing count ries for purposes of development In practice however the reverse process is unmistakably taking place the re sources of the developing countries including their financial resources are being bled dry and their external debts already exceed sixty thousand million dollars This process takes the form of the transfer of profits and dividends reaped by the companies and banks conducting business in these countries the repatriation of capital, collection of debts and interest on debts, the floating of shares and bonds of foreign companies and banks on the money markets of these countries, the re export of capital to the developed capital ist countries and the transfer of financial resources from branches of banks and companies to those countries, etc The monopolies naturally camouflage these activities resorting to countless new and increasingly refined methods and manoeuvres, so as to demonstrate their co-operation with the developing countries

However it is becoming increasingly difficult for the imperialist monopolies to achieve these ends Influenced by the genuine co operation implemented by the socialist

Malaysia, the Peace Corps, etc This study is not aiming to provide a detailed analysis of all these programmes but rather to consider the main principles behind aid as an instrument of neocolonialism

At the beginning of the 1960s the total aid provided by all imperialist countries came to 4,500,000 dollars a year, the bulk of which went on purchases of goods from the donor countries and close on 60 per cent of this aid consisted of purely military aid enabling the imperialist monopolies to sell off obsolete weaponry and old stocks of other goods that could no longer find buyers on the home market This aid continues to have *political, military and other strings attached*, is granted primarily to stable' governments and is designed to *protect or foster capitalism and political regimes acceptable to the neocolonialists* The USA leads the way in the application of this particular neocolonialist method Gunnar Myrdal points out that during 1954 58 Laos and South Vietnam received from the United States grants and loans almost equal in sum to those received by India and Pakistan For the same period, South Korea received more aid than all of India, Pakistan, the Philippines, Burma, and Ceylon'[1]

In his message to Congress of February 1, 1966 on foreign aid for fiscal year 1967, President Johnson promised that America s response in this field would be bold and daring' and he requested an appropriation of 2,469 million dollars to finance programmes of economic co operation, 550 million dollars of which was to be spent on support" for the Saigon regime A further 917 million was to be set aside for military assistance At first glance this might appear to have represented a cut in military assistance as against the previous fiscal year 1966 (when military assistance accounted for 1,170 million dollars) However it was also noted in Johnson's speech that this sum did not include funds for the maintenance of the Saigon regime's military machine, let alone the financing of America's aggressive war against the people of Vietnam, on which over 20 thousand million dollars was spent in 1967 alone, i e , a sum several times in excess of the total appropriation for aid pro-

[1] Gunnar Myrdal, op cit , p 343

swept aside [1] Later it was to emerge that the Agency for International Development, in charge of foreign aid programmes often provided a screen for intelligence and subversive activities of the CIA in the developing countries, as was openly acknowledged by John A Hannah, Administrator of the Agency, who announced that this practice had been approved as far back as 1962 during the Kennedy Administration [2] The Pentagon, which is exerting ever stronger influence on the content and actual implementation of aid programmes, makes active use of these programmes

Similar aims and tendencies found expression in Johnson s message to Congress of February 9, 1967 on the foreign aid programme for 1967/68 Johnson proposed financing a programme involving 3,100 million dollars (758 million for the Middle East and South Asia, 624 million for Latin America, 812 million for East Asia and 195 million for Africa) He also laid special emphasis on cuts in military aid (600 million in comparison with the previous year) and an increase of up to 2,500 million dollars in technical aid However on this occasion the President refrained from mentioning that US military aid going to the Chiang Kai-shek clique, the Saigon regime and Thailand for instance, just as military aid distributed by way of NATO channels, was financed separately, out of the Pentagon budget As in previous years the main purpose behind such military and technical aid was to arm the member countries of NATO SEATO and CENTO consolidate reactionary regimes and counter the advance of the national liberation and anti imperialist movement For example, the military aid set aside for East Asia was allocated almost entirely to the Seoul regime and the Chiang Kai shek clique The distribution of economic aid is equally revealing almost 85 per cent of the 812 million dollar total set aside for East Asia was to be spent on checking the communist threat and the largest share of this economic aid was to go, as in the previous fiscal year, to the Saigon regime [3] However

[1] Chester Bowles op cit, pp 139-40
[2] See *The New York Times* June 10 1970
[3] 550 million dollars

Congress cut down the overall aid programme for 1967/68 to 2,600 million dollars. As was noted in the American press this bill was discussed "in an atmosphere of partisanship, phoney economy and cheap demagoguery"[1] and the results of these disputes were an aftermath of the hard feeling over the presidential campaign and the growing discontent over Johnson's Vietnam policy, rather than any change in foreign aid policy as such. In assessing Congress' decision to cut down bilateral aid (by 400 million dollars) for FY 1968, this step should be regarded as a partial change in the tactics of US ruling circles in this field: while cutting down on bilateral aid, the United States was pressing for the extention of funds for aid via international channels (the UNDP, the IBRD, etc.) in view of the fact that aid via such channels appears more "attractive" than bilateral American aid. The American foreign aid programme for 1967/68 had even more strings attached than in previous years. In Johnson's message to Congress it was stated that 90 per cent of the economic aid and over 95 per cent of the military assistance was to be spent in the United States, which would help that country to go on selling off goods, including obsolete weaponry, as in the past and thereby improve her trade balance and balance of payments. This aspect of American foreign aid policy had been singled out by Walter Lippmann as far back as 1965. The American foreign aid programme for 1967/68 included all the basic elements to be found in those for the previous years.[2] Once again it was to serve as one of the major instruments of US military, economic and trade policy towards the developing countries. The essence of the "new" elements contained in Johnson's message to Congress can be summarised as follows: (a) it proclaimed the *self-help principle*, i.e., the United States insisted on the recipient countries pursuing an economic policy that would, in the eyes of the US Government, make that aid more effective, and to this end Johnson

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[1] *Washington Post*, August 26, 1967.

[2] A large proportion of this aid was allocated to purely military "aid"; aid was granted first and foremost according to political and strategic criteria and had a number of political, military and economic strings attached and 90 per cent of the funds allocated were to be spent in the United States.

suggested that a National Advisory Committee on Self Help be set up whose functions should include the analysis of aid programmes, (b) the message also came out in support of the *regionalism principle*, which had first been discussed in the United States back in 1966 when Edward M Korry, the US Ambassador to Ethiopia, had proposed that it be applied in the USA s dealings with African countries, it implied the use of regional programmes, international projects and regional development banks, etc , for the purpose of *implementing large scale plans involving whole groups of countries in the framework of aid programmes*, it was not difficult to appreciate that this principle was *no more than a mask for efforts to encourage regional* groupings designed *to undermine, on the one hand, the position of the old colonial powers and the united stand of the countries from the given continent on the other*, which is particularly important in relation to Africa for which this new aid strategy was primarily devised, (c) by way of a new response to the needs of the developing countries the message detailed the proposal to increase (by 164 million dollars) expenditure on agricultural aid to the developing countries and also on aid in the education field (by 62 million dollars) and for health services (by 10 million dollars), however, insofar as these increases were made *at the cost of corresponding cuts in allocations for industrial development*, it is clear that this new response once again reflects the old tendencies to impede real economic advance in the newly independent states and subject their economies more and more to the economic interests of the US monopolies So the latter only changed their tactics while the strategic aims of their aid policy remained virtually the same

A similar picture emerged from Johnson s message to Congress of February 8, 1968 on the foreign aid programme for 1968/69, in which the President requested funds to finance a 2,920 million dollar aid programme (2 500 million for technical aid and 420 million for military aid) Here again the President repeated those principles which had been voiced in the previous message to Congress The only new note was struck by his proposal for the immediate allocation of an additional 100 million dollars for military

assistance to the Seoul régime, a measure undertaken by the US Government in connection with the detention of the US reconnaissance vessel *Pueblo* in North Korean territorial waters.

Similar sums for foreign aid were requested from Congress by President Nixon to finance the 1969/70 programme, namely 2,200 million dollars (1,825 million for economic aid[1] and 375 million for military aid) One of the new points introduced by Nixon was the proposal to set up an Overseas Private Investment Corporation aimed at linking the allocation of aid with the creation of a favourable climate" for American private investment, at tying this programme more closely to the foreign policy interests of the United States, and providing guarantees for private American investment in the Third World [2]

The message also contained certain other recommendations put forward by the special Presidential Task Force on International Development, headed by Rudolph A Peterson, former President of the Bank of America, one of these called for increased aid via multilateral channels, i e, international and regional programmes made possible by corresponding cuts in bilateral aid [3]

In his foreign policy message of February 18, 1970, Nixon formulated new aims and principles behind American aid which he divided into three categories security assistance, welfare and emergency relief and international development assistance [4]

Finally admitting (unlike his predecessors) that the developing countries can assess their own needs and the order of priority of the latter and that these countries uphold their right to do this, President Nixon made a second important admission, namely that the aid of the other developed capitalist countries taken together now exceeded American aid The President of the United States advanced the idea of a 'broader sharing of responsibility" between the leading capitalist countries, and likewise between the

[1] Including 440 million for economic aid to the Saigon regime.
[2] *The New York Times*, January 2, 1969
[3] Ibid, March 12, 1970, Department of State Bulletin, April 6, 1970, Vol LXII, No 1606, pp 447, 458
[4] Department of State Bulletin, April 6, 1970, p. 450.

international organisations (the IBRD, UNDP, etc). Consequently the matter amounts to re division of spheres of influence necessitated by the new alignment of economic and financial forces in the capitalist world

But have the aims behind American 'aid" policy and the conditions attached to this 'aid" changed?

The creation of the International Development Council reflects aspirations towards an expansion of the 'aid machine", while the setting up of the Overseas Private Investment Corporation underlined the US monopolies' long standing aim of promoting the penetration of developing countries by American private capital there is little new about this, for previous American foreign assistance programmes were all directed to the same end In his message Nixon stressed that the 'broader sharing of responsibility" with the other capitalist powers in the field of aid would reap results (from the US point of view —*V V*) only if it was effected on a multilateral basis covering the world as a whole, and that the United States would henceforth increase its aid administered via multilateral channels In emphasising the importance of multilateral organisations the United States has in mind first and foremost such organisations as the IBRD, IMF and UNDP, in which it calls the tune and can count on the support of at least some of its allies It is with a similar end in view that the United States supports such bodies effecting 'regional co operation" as the Inter-American Committee, Alliance for Progress, the plan for the regional integration" of Latin America, the International Committee for the Mekong River Development Project and other schemes sponsored by the USA

A concession made to the receivers of American aid announced in President Nixon's message was the decision to drop the former proviso requiring that all loans granted be spent exclusively on purchases made in the United States or on payments for services rendered by the United States By way of another concession Nixon promised to increase allocations to the Agency for International Development to 300 million dollars a year so as to enlarge its loans available at reduced rates of interest

In his message to Congress Nixon expressed particular

satisfaction at the knowledge that he had succeeded in halting the trend to curtail US aid to developing countries and in bringing it back to its normal scale, that of the early sixties This however merely serves to confirm the vested interest of US monopolies and the Government in these aid programmes and that they are advantageous both economically and politically It was only the dollar crisis that compelled the USA, among other things, to cut the 1970/71 foreign aid programme by 10 per cent in August 1971 The American press made no attempt to conceal the extent of American firms' and companies' vested interest in the foreign assistance programmes in articles appearing at the time this cut was made These programmes enable the American producers to sell annually about 1,000 million dollars' worth of goods, account for about a quarter of all US shipping business and provide nearly 600 million dollars' worth of contracts abroad for US firms and research centres, both state and private During fiscal 1970 the sale and delivery of American goods (totalling 995,100,000 dollars) to the developing countries had been covered out of loans and other transactions effected under the foreign aid programme and "only 19,400,000 dollars was used to finance foreign products" [1] This applies in a similar degree to the foreign aid programmes carried out by Britain, France and Japan and this fact is oven acknowledged by the official organs and representatives of these countries for example, the former British Minister of Overseas Development, Earl Grinstead, when noting the link between Britain's foreign aid programmes and her trading interests, admitted that approximately 75 per cent of the overseas aid allocated by Britain is spent on the purchase of British goods and services Moreover, the special parliamentary committee set up to investigate Britain's foreign aid programme drew attention in one of its reports to the following state of affairs 'Aid plays an important part in stimulating trade Aid should be increasingly concentrated in those countries which offer the greatest potential markets for goods originating from Britain' [2]

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[1] *International Herald Tribune*, November 4, 1971.
[2] Gunnar Myrdal, op cit, p 358

President Nixon also devoted a good deal of space in his message to the US peace effort. The following facts are worthy of note, however Thus the division of aid into three categories, with "security assistance" singled out separately, signified to many observers that military assistance would come under the control of the Pentagon which had already for a number of years been resorting to various manoeuvres so as to virtually bypass Congress For example arms "surpluses" supplied to the Chiang Kai-shek clique in 1970 totalled 144 million dollars, while in the official Pentagon request to Congress a mere 341,000 dollars were asked for this purpose. According to figures quoted in the American press Pentagon spokesmen admitted that in 1970 military assistance provided by the United States was nearly eight times the figure officially listed in the budget [1] This admission aroused sharp criticism of the Administration from the chairman of Congress' Joint Economic Subcommittee, Senator William Proxmire of Wisconsin, and other members of Congress indignant at such unceremonious behaviour on the part of the Pentagon. While the question was being discussed in Congress in January 1971 the following facts came to light: in Presidents budget message the figure listed for "military expenditure" was 625 million dollars, but the investigation carried out in the Chief Finance Department (at the request of the committee headed by Senator Proxmire) revealed that actual expenditure came to nearly five thousand million dollars. Non-repayable deliveries of arms accounted for 2,400 million dollars, military support for another 518 million dollars, 108 million dollars out of the proceeds in local currency from the sale of food "surpluses" under the Food for Peace programme, 1,400 million as proceeds from the sale of military property and 224 million dollars in the form of transferred "surplus" of military equipment. However this "total" did not include the deliveries of "surpluses" to the Saigon régime nor the cost of some military items supplied to both the Saigon régime and Thailand. The Pentagon also made a habit of hiring out military vessels on a long-term basis, selling

[1] *The New York Times*, January 10, 1971.

arms and military equipment on credit and has various additional methods for obviating Congress supervision up its sleeve. These practices on the part of the Pentagon gave rise to sharp criticism in Congress Senator Proxmire, giving voice to the general mood of the assembly, declared caustically that the Food for Peace programme had been turned by the Pentagon into a "Food for War" programme, pointing out that over the period of five years "under the Food for Peace program foreign governments bought nearly $700 million worth of arms...".[1] Insisting on Congress' right to participate in the "decision-making machine", on March 8, 1971 Senator William Proxmire introduced a bill depriving the US Secretary for Defence of the right to finance programmes for military assistance without the approval of Congress and calling for the restriction of such aid to 2,500 million dollars. At the same time it is important to point out that after the sums spent on arms supplies and on other goods supplied by the United States to the developing countries, are deducted from the total US aid, then aid as such, according to the estimates of Gunnar Myrdal for instance, accounts for not more than a third of the total that officially comes under the heading of "aid" to the developing countries.[2]

On August 3, 1971 the US House of Representatives passed foreign aid programmes for 1971/72 and 1972/73 involving allocations of 6,900 million dollars, 3,440 million of which was set aside for the 1971/72 programme Two thousand million of the latter sum was set aside for purely military aid, i.e , 60 per cent (a similar sum was also set aside for this purpose in the 1972/73 programme) although it did not even include expenditure on military aid to the Saigon régime, Laos and Thailand (provided for in the Pentagon budget), let alone the enormous sums spent on the war in Indochina.[3] The main recipients of US military

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[1] *The New York Times*, January 10, 1971.
[2] Gunnar Myrdal, op. cit., pp. 358, 366-67.
[3] In his statement to the House Appropriations Committee in March 1971, the then US Defence Secretary Laird put the total American spending on the Vietnam war (not counting military aid) at 28,800 million dollars in 1969 and 23,100 million in 1970.

assistance, as before, were the Seoul and Saigon régimes, the Chiang Kai-shek clique, Israel, Cambodia, Turkey, Jordan and Indonesia (these countries' allocations accounted for over 80 per cent of the total sum set aside for military aid) In a speech to Congress at the time Laird dealt in particular detail with Israel (who had received military assistance from the United States amounting to 500 million dollars in fiscal 1971), openly declaring that Israel provided the best example of practical implementation of the goals of American military assistance policy. Thus it can be seen, despite the "Congress revolt", that the Pentagon is still having a powerful voice in determining aid policy. So far Congress has not yet approved the Administration's proposal for a complete reorganisation of American aid programmes which envisages the adoption of a special law on international security assistance, the liquidation of IDA; the introduction of two special posts for co-ordinators of foreign aid programmes, one of advisers to the President and the other of assistant to the Secretary of State, and various other measures This proposal is now being discussed in Congress and in the meantime the House of Representatives has extended the current foreign aid programme for another two years Under pressure of public opinion, the House of Representatives passed a resolution to halt aid to Greece and Pakistan introducing corresponding amendments to the bill concerned, although with a significant reservation that military aid to the Greek régime will be halted, unless it is decided that the "overriding requirements of the national security of the United States"[1] justify the aid. In that case the Administration will have the right to spend 90 million dollars on military aid to Greece. Military assistance to Pakistan has also been temporarily halted in connection with developments in East Pakistan [2]

Thus it is early to speak of the USA cutting down its military aid because the military industrial complex is increasingly interested in expanding markets for the sale

[1] *The New York Times*, August 4, 1971.

[2] The House of Representatives cut down both its allocations for economic aid to Pakistan and also its aid to East Pakistani refugees in India (from 225 to 100 million dollars). See *The New York Times*, August 4, 1971 and *Times of India*, July 15, 1971.

of arms. An attempt on the part of Senator Fulbright to "command respect" for the committee he heads met with little success: on August 6, 1971 the Pentagon rejected the demands on the part of this committee that the Pentagon should let it examine the 5-year plan for military assistance before the committee approved the aid bill, thus refusing to supply information concerning that particular side of its activities. However, by way of a countermeasure the Senate turned down the foreign aid programme as a whole, insisting on a preliminary cut from 3,400 to 2,900 million dollars Finally on November 11, 1971 the Senate approved a new foreign aid bill amounting to 2,600 million—1,500 million to go on military aid and 1,100 million on economic aid. The Senate also approved Mansfields' amendment proposing the withdrawal of US armed forces from South Vietnam within six months [1] The foreign aid programme for 1973-74 remained practically at the same level.

In their neocolonialist activities the United States monopolies have to meet with growing competition on the part of their rivals from Japan and the FRG.

Trying to make up for lost time the FRG as far back as 1965 earmarked for a foreign aid programme 865,000,000 marks (including 167,200,000 marks for arms deliveries) and 1,600 million marks in 1966 (including 110 million marks for arms deliveries). The annual total set aside for aid to the developing countries by Japan amounted to 670 million dollars as far back as 1967 (the 1961 figure being 381 million), 496 million of which were intended for Asia. It is precisely in this area that Japan competes successfully with the United States and Britain. The following statistics serve to illustrate the situation now taking shape in that part of the world: under "development aid" programmes 335 projects (with a total value of 1,340 million dollars) are now being implemented in Indonesia by the leading capitalist powers: 53 are Japanese projects, 53 American and 17 West German. Britain for her part set aside in fiscal 1970 219 million pounds sterling for all developing countries, while France spent 1 12 per cent of her GNP on

[1] See *The New York Times*, May 19 and November 10, 1971, *Washington Post*, November 4 and 9, 1971.

aid to the developing countries in 1969, according to a statement by the French Foreign Minister on April 26, 1970

Anxious to undermine her rivals and retain her leading position in neocolonialist exploitation through "aid" the United States monopolies recently decided to initiate the creation of a number of "aid clubs", international consortiums, etc, a step which represents yet another attempt to perfect still further this particular method. With this aim in view international consortiums were set up on aid to India, Malaysia, Pakistan and Indonesia, and also the Indo-US Education Foundation However, these measures were not sufficient to put an end to the unscrupulous struggle for spheres of capital investment, markets and sources of raw materials going on nowadays between the leading imperialist powers under the guise of aid to the developing countries

3. FOREIGN TRADE AS AN INSTRUMENT OF NEOCOLONIALISM

Foreign trade practices aimed at the systematic plunder of the developing countries and the remaining colonies are an important factor in neocolonialist policy. The imperialist powers have wide opportunities for applying these practices, since not only do they dominate the economy of many developing countries after seizing control of the sources of raw materials (that are the main exportable items the latter possess) and of their markets but they also have a monopoly of cargo vessels and tankers, well-established trade links and a network of trading companies and banks at their disposal.

Particularly large-scale and systematic plunder of the developing countries and remaining colonies is effected by means of *various forms of non-equivalent exchange*, which mainly finds expression in the artificial imposition by the monopolies of the lowest possible prices on the developing countries' agricultural produce and raw materials and the highest possible prices for their own industrial goods and raw materials Arguments by some apologists of neocolonialism to the effect that the only explanation for the low prices paid for raw materials and agricultural produce to

the developing countries and colonies is the low labour productivity in the mining industry and agriculture are blatantly inconsistent.

The main explanation for these low prices is the discriminatory policy of the imperialist monopolies pursued both in the sphere of production and the export of manufactured goods and with regard to the extraction and purchase of raw materials and agricultural produce In the developing countries monopoly capital not only functions like capital elsewhere, in that it immediately appropriates part of the unpaid labour, i.e., part of the created value, but also as a part of world capital controlling the economic and trade relations with the outside world of many developing countries. In view of this the imperialist monopolies, in appropriating part of the surplus value on the spot, effect the systematic plundering of the developing countries in the sphere of the latter's foreign trade. Monopolies are resorting to such manoeuvres as refusing to sell machinery, equipment and other commodities (so as to force up their prices) and refusing to buy goods from the developing countries (which thus temporarily lose their use value, so that in the long run these countries are compelled to sell these goods at lower prices). Prices of coffee, tea and cocoa for instance in the relatively short period of eight years, from 1954 to 1962, dropped by more than 50 per cent, and in 1958 alone there was a 30 per cent drop. The most serious slump in prices for raw materials and agricultural produce was felt in 1962 and the overall trend has not changed since. In 1967 there was a further drop in raw sugar, coffee and wool prices and also in the prices of a large number of tropical exports As a result the export earnings of the developing countries for one and the same quantity of goods or even a larger one diminishes from one year to the next and their annual losses constitute hundreds of millions of dollars, while their exports fall in value and constitute a smaller share in world exports: in fiscal 1966 their share dropped by 20 per cent.

Between 1953 and 1967 the developing countries' share in the total volume of world trade dropped from 27 to 19 per cent, and there was also a drop over the same period in their share in world trade in raw materials and semi-manu-

factured goods from 54 to 42 per cent [1] The drop in prices for raw materials and semi manufactured goods from the developing countries, and the shrinking of their share in world trade in these two fields, can also be accounted for in part by the expanding production of artificial substitutes for natural raw materials as a result of the technological revolution, which, as noted earlier, has practically passed the developing countries by Other circumstances also foster non equivalent exchange—the correlation of prices on local and world markets, competition between the various groupings of imperialist powers, on which to varying degrees the developing countries depend, etc All these factors affect the trading record of the developing countries While the developing countries' trade with the imperialist powers showed a favourable balance (approximately 4,500 million dollars) in the period 1951 56, over the following five years (1957 62) it showed a deficit of 8,350 million dollars The deficit remained at approximately the same level in subsequent years Typical enough the prices for raw materials from the leading capitalist powers remain virtually unchanged The following facts testify to the scale of the plunder effected by the imperialist monopolies by means of various forms of non equivalent exchange in 1959 alone the countries of Latin America lost close on one thousand million dollars in their trade with the USA, and between 1960 and 1965 these countries have been losing approximately 1,500 million dollars annually in their trade with the United States, while their total losses incurred in trading raw materials and agricultural produce with Western Europe and America during those five years made up a sum equivalent to the total economic aid they received over the same period Thus the industrially developed capitalist countries profit from their trade with the developing countries, while the latter incur tremendous losses as a result of this trade Japan's exports to Nigeria in 1965 exceeded her imports from that country 10 8 times, the respective increase for her trade with Ethiopia, Kenya, Tanzania and Uganda were 4 1, 3 8, 2 4, and 1 8 times The deficit in Mexico's

[1] *Partners in Development* (*Report of the Commission on International Development*), New York, Washington, London, Praeger Publishers, 1969, p 45.

trade balance in 1965 came to 402 million dollars and that of the whole of Latin America for 1961 and 1962 came to approximately a thousand million, while according to estimates by the well known economist Victor Urquidi it reached no less than 1,520 million dollars by 1970 [1]

As was confirmed by the directors of the International Monetary Fund the foreign trade outlook for countries pro ducing raw materials and semi manufactured goods improved conspicuously in 1968 and 1969. export prices for these goods rose by 4 per cent in 1969 as a result of which exports from this group of countries for that year rose in terms of value by 13 per cent (as opposed to 8 per cent in 1968 and 4 per cent in 1967) [2] Yet this picture does not represent the whole truth in the first place there was an accompany ing marked rise in prices for the commodities imported by the developing countries (according to the IMF also averag ing 4 per cent) In addition the IMF has now started includ ing in the group of developing countries such countries as Australia (whose exports went up by 20 per cent in 1969), New Zealand (whose exports rose by 20 per cent in 1969) and some countries of Western Europe (whose exports rose by 17 per cent in 1969), while India's exports in the same year went up by only 5 per cent and Pakistan's even went down In 1969 there was only a negligible rise in exports from the countries of Africa, the Middle East and Latin America which do not produce oil Some export lines from the developing countries showed a sharp drop, especially coffee and tea, while there was a marked rise in copper and rubber exports As a result the share of coffee in the total exports of a number of developing countries in Latin Amer ica fell drastically, from 41 to 34 per cent in Brazil for instance The closure of the Suez Canal resulting from the Israeli aggression against Egypt, Syria and Jordan also had a catastrophic effect on exports from Middle East countries Exports from Venezuela, Iraq and some other oil exporters did not rise above the 1968 level due to the

[1] Victor L Urquidi "Some Implications of Foreign Investment for Latin America (article prepared for UNESCO Secretariat Paris 1966)

[2] *International Monetary Fund Annual Report 1970*, Washington, pp 52-53, 62

loss of certain markets Nor did the situation favour India's, Pakistan's and Ceylon's exports, since their foreign trade was still tied mainly to the British market, especially as far as such commodities as tea and jute were concerned: for example India s exports to Britain in 1969 dropped by over 20 per cent (in terms of value)

The export trade of all developing countries for the period 1965 69 can be summarised as follows.

Table 8

The Developing Countries Trade Balance for 1965 69 (mil dollars)[1]

Area	1965	1966	1967	1968	1969
Far East	—820	—1,000	—1,130	—1,430	—1,650
Southeast Asia	—990	—1,230	—1,820	—2,060	—2,170
South Asia	—1 650	—1,590	—1,660	—1,060	—650
Total for Asia and Far East	—3,460	—3,820	—4,610	—4,550	—4,470
West Africa	—200	—10	30	160	270
Equatorial Africa	10	100	120	170	190
South and East Africa	—80	—100	—270	—360	—30
North Africa	280	390	560	1,010	1,270
Total for Africa	10	380	440	980	1,700
Oil producing countries of the Middle East	3,000	3,190	3,650	4,030	4,110
Other Middle East countries	—1,500	—1,680	—1,160	—1,410	—1,540
Total for the Middle East	1,510	1,510	2,490	2,620	2,570
South America	2,210	2,170	1,740	1,420	1,600
Mexico, Central America and Caribbean	—1,440	—1,630	—1,870	—1,870	—1,810

[1] *International Monetary Fund Annual Report 1970*, pp 63, 65, 71.

Area	1965	1966	1967	1968	1969
Total for Latin America	770	540	—130	—450	—210
Overall total*	—7,700	—7,700	—7,900	—7,600	—7,200

* Including all remaining colonies, even minor islands

So, despite a certain improvement in trade balances for the years in question, mainly affecting the Middle East, North African and Latin American producers and exporters of oil, copper, tin and rubber (i e , mainly raw materials of strategic importance), the overall picture for the foreign trade of the developing countries shows virtually no change The trade balance for the countries of Asia and the Far East in 1967 69 remained unfavourable with an annual deficit of 4,500 million, for the countries of Central America and the Caribbean with an annual deficit of 1,800 million, for the countries of the Middle East with no oil industry with an annual deficit of 1,300 million and for all the developing countries taken together with an annual deficit of 7,500 million dollars The policy of non equivalent exchange pursued by the leading imperialist powers was to a large degree responsible for these dismal results According to a statement made by the Venezuelan representative at the 10th Conference for managers of the leading Latin American banks (held in Caracas in November 1971), in 1970 alone, as a result of this policy of non equivalent exchange pursued by the US monopolies, Venezuela lost close on 700 million dollars in its trade with that country This means that the "rosy" prospects painted by the directors of the IMF for the developing countries cannot stand up to serious analysis This is also reflected in the protests from these countries, particularly the countries of Latin America, at US trade policy At the 2nd Conference of the Special Committee on Latin American Co ordination held in Montevideo in March 1971, the representatives of the majority of Latin American countries subjected US

protectionist policy with regard to their export commodities to extremely harsh criticism. In the statement adopted by that conference on March 18 the Latin American countries demanded that the US Government cease to introduce import quotas and restrictions which could bring about drastic curtailments in Latin American exports. However the conference was more or less deadlocked after the speech by Charles Meyer, US Assistant Secretary of State for Inter-American Affairs, who announced that the United States would continue its former policy in this matter. It was not by chance therefore that many Latin American countries started looking for a solution to the situation by activating their trade with the socialist countries: for example, the Association of Venezuelan Exporters announced in March 1971 their intention to expand their trade with the Soviet Union, Czechoslovakia, Poland and other socialist countries.

Other neocolonialist practices in foreign trade relations have a no less adverse effect on the economy of the developing countries, particularly *dumping*. This practice not only serves to disorganise the internal markets of the developing countries but also leads to sharp fluctuations in agricultural production causing the ruin of millions of peasant holdings. The most significant example of *disguised dumping* effected by the United States is its mass sale of agricultural "surpluses" on the markets of the developing countries (under US PL 480), a practice which has become one of the main levers of US foreign policy.[1] The disastrous effect of these "surpluses" under the guise of aid on the markets of these countries stands out particularly clearly in the case of India. India began to import American grain (wheat, rice and maize) in 1951, when there had been a marked rise in grain and food prices on account of a bad harvest. Between 1951 and 1958 the annual import of American "surpluses" did not exceed 1,500,000 tons. However these imports were noticeably stepped up in 1959 and 1960 coming to 3,100,000 and then 4,200,000 tons. In May 1960 the United States and India signed an agreement allowing for deliveries of 16,000,000 tons of grain and 1,000,000 tons of rice in the

[1] In 1966 this law was given a new name: "Law on Food Relief to Foreign Countries".

course of the following four years From then on these grain deliveries have taken the form of an alternative to agrarian reforms, which in the opinion of many Indian economists are absolutely vital for the expansion of agricultural production This policy has resulted in Indian grain production showing a marked decline, from 12 000,000 tons in 1961/62 to 9,700,000 tons in 1963/64 The smaller Indian grain harvests have led to a rise in grain prices, and this, in its turn, has made India still more dependent on American grain deliveries, which by 1964 exceeded 5 000,000 tons Nevertheless these deliveries on an average did not make up more than 10 per cent of India's market stocks they were used to supply the army and the urban poor in the country's industrial centres, etc Another point that should be noted in this connection is that because of the poor sector's low purchasing power the grain supplied by the United States was sold on the internal Indian market at prices considerably lower than the import price This situation in its turn required the allocation of considerable subsidies out of the Indian budget [1]

American grain deliveries were not the decisive factor in the supply of the population with grain and foodstuffs, in particular in 1964/65 when local production of cereals (wheat, rice, etc) rose to 87,400,000 tons as against 79,400,000 tons for the preceding year In the years that followed though they continued to constitute a disorganising factor in both the Indian market and Indian cereal production Given the low purchasing power of the poor sector, large quantities of the US grain often fell into the hands of dealers, who, making the most of the situation, later sold it again at higher prices The Indian farmers, in their turn, having virtually no machines or fertilisers and seeing no hope of increasing their incomes from long term investment in their holdings, refrained from making such investments during those years which in the long term led to the shrinkage of areas sown to grain throughout the country

The solution to India's grain problem is believed to be the creation of stable conditions favouring the expansion

[1] In the period 1956-64 alone the Indian Government spent close on 1,000 million rupees on these subsidies

of agricultural production Many Indian experts agree that if the Indian Government made use only of those sums that were spent on subsidising the sale of American grain on the internal market to effect agrarian reforms, positive results would have been appreciable at the time But so far no changes have been made in February 1966 India concluded a new agreement with the United States for additional grain deliveries (amounting to 167 million dollars) subject to the same conditions as before [1] In February 1967 India signed an agreement with the United States for deliveries of another 2 000 000 tons of grain under the current programme [2]

Mass dumping of surpluses" on the Indian market enabled the US Government and monopolies to gain a firm foothold in the private sector of the Indian economy and start putting out feelers for Indian finance since almost all the earnings from sales of these surpluses were either placed at the disposal of the US Embassy in India or made subject to Embassy control when distributed in the form of loans, credits, subsidies, etc The US Embassy in India used this money not infrequently for interfering in India's internal affairs as was the case for instance during the 1967 elections [3]

The conclusion can thus be drawn that deliveries of American grain "surpluses" to India not only led to stagnation in local agricultural production, disorganised the Indian market, caused losses in the state budget and intensified inflation as a result of increased grain prices, but also promoted the deeper penetration of the Indian economy and Indian finance by American capital [4] It was no coincidence that the President of India Radhakrishnan in a speech to Parliament on March 18, 1967, called upon the govern-

[1] 75 per cent of the money made from these grain sales is spent on long term loans for the construction of projects agreed on by both parties in advance 5 per cent is spent on financing Indian firms linked with American capital, and 20 per cent is placed at the disposal of the US Embassy in India

[2] After this agreement has come into effect total deliveries of US grain "surpluses" and foodstuffs have reached 50,000 000 tons

[3] See *The Indian Express*, March 30, 1967

[4] *The US Government's rupee deposits had reached six thousand million by mid 1969*

ment to take steps to rescue India from American aid by 1971 In October 1969 the United States imposed on India revised terms for its grants of aid under PL 480 and India was then obliged to pay for 60 per cent of the imports in convertible currency instead of the 40 per cent stipulated previously It was only two years later in August 1971 that the Indian Government decided not to renew its agreements with the United States for deliveries of these agricultural surpluses

This type of dumping produces the same results in other developing countries with which America concluded similar agreements for deliveries of agricultural surpluses Senator Aiken of Vermont admitted after his visit to Latin America in 1959 that the United States was undermining local production with its mass scale dumping of surpluses on Latin American markets

Other motives lie behind the dumping of agricultural produce The government subsidises the export of surpluses out of its own budget to which end strictly speaking PL 480 was really introduced in the first place If it is from this angle that we evaluate American gifts to the developing countries they will appear essentially as yet another type of dumping seeing that the consumer is given no reductions on the retail prices for those commodities which the country in question receives as gifts

Foreign monopolies often resort to creating assembly plants and trading bases which are given the grand titles of factory or workshop where certain types of machinery or equipment are assembled or adjusted using parts and units manufactured in the leading capitalist countries This practice is often found in many countries of Asia Latin America and Africa and is used with particular enthusiasm by the American and West German monopolies It enables the monopolies to create the illusion that they are promoting the development of industry designed to produce means of production in these countries while in actual fact they compel the developing countries to import from the leading capitalist countries not merely machines and equipment but individual units spare parts semi manufactured goods synthetic raw materials etc and moreover at prices dictated by those same monopolies who thus succeed

in tying up the economies of the developing countries still more closely with their own and securing themselves *profitable marketing outlets*

An *enormous obstacle in the way of the developing* countries' foreign trade is the *protectionism* practised by the leading capitalist countries The United States, for example, raises tariffs not only on manufactured goods but also on raw materials which deals a particularly cruel blow at the interests of the developing countries Protectionist measures have been introduced by the United States with regard to Chilean copper, Bolivian and Peruvian zinc and lead, Uruguayan wool, Argentinian meat, Brazilian coffee and other traditional exports of the Latin American countries Not only these high tariffs obstruct the export trade of the Latin American countries but also *quantitative restrictions or import quotas* The United States sets up quotas every year for the import of sugar, meat, animal fats, oil, zinc, lead, copper, ground nuts, coffee, wool, cotton and other fabrics Measures of this type are also adopted by the Common Market countries

The monopolies also have a number of other means at their disposal for the systematic plunder of the developing countries in foreign trade, for trading transactions in the developing countries are controlled by trading firms, shipping companies and banks of the imperialist countries Very few of the developing countries have their own merchant fleet Suffice it to point out that over three quarters of the capitalist world's cargo vessels and tankers (in terms of tonnage) are those of the US, British, Dutch, Japanese and French fleets, and the shipping companies naturally do not let slip opportunities of securing high profits through *freightage* British and American shipping companies, for instance, making the most of the temporary closure of the Suez Canal resulting from the Anglo French-Israeli aggression against Egypt in 1956, doubled freight costs for their cargo vessels and put freight costs for their tankers up by nearly 150 per cent, 'earning' hundreds of million dollars extra through this manoeuvre [1] *Similar*

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[1] *International Financial Statistics*, Vol 6, January 1969, p 35.

measures were adopted by these countries in 1967 after Israel's aggression against Egypt, Syria and Jordan.

It is not surprising that the insistent demand on the part of the developing countries that the leading capitalist powers loosen up their trading stipulations and aid terms, was one of the main items discussed at the first and the second UNCTAD conference. This came particularly clearly to the fore in the course of the second conference (Delhi, February and March 1968). The delegates from the developing countries unanimously expressed their concern at the deterioration of the developing countries' position in world trade, the growth of their external debts and the burden of the conditions attached to aid. Particularly harsh criticism was directed at the imperialist monopolies that invested their capital in the developing countries in ways that conflicted with the latter's development plans and were directed simply at securing high profits for themselves. The representatives of the developing countries demanded far-reaching improvements in trade conditions, a halt to discrimination in foreign trade, the elaboration of principles for agreements on the export of raw materials and semi-manufactured goods and an easing-up of the terms connected with the repayment of trade credits. The just demands were supported by the delegations of the socialist countries who demonstrated convincingly in their addresses that the export of profits on capital invested in the developing countries in 1966, for example, came to almost 75 per cent of the total inflow of financial resources into these countries from the capitalist world. The Soviet delegate pointed out that this export of profits on the part of the monopolies intensified the shortage of foreign capital in the developing countries and restricted their opportunities for importing machines and equipment. He went on to call for the lifting of all barriers obstructing trade and economic co-operation, underlining the fact that the Soviet Union and the other socialist countries were working to promote mutually advantageous trade with the developing countries and co-operation with them on an equal basis. The representatives of the socialist countries strongly criticised the discriminatory policies against the People's Republic of China, the German Democratic Republic,

the Korean People's Democratic Republic and the Democratic Republic of Vietnam, which, as a result of the leading capitalist countries position had not been invited to the Delhi conference pointing out that the GDR, for example, already at that period was the 14th most important trading nation in the world Emphasising that the socialist countries could in no way be made responsible for the economic backwardness of the developing countries, for which all blame could be laid at the door of the imperialist powers, the delegates of the socialist countries demonstrated conclusively that the most rapidly expanding sphere of world trade in the current period was trade between the socialist countries and the developing nations for example, the share of manufactured and semi manufactured goods in the exports from the developing countries to the socialist countries exceeded 19 per cent between 1955 and 1966, while the share of such goods in the developing countries' total exports to the developed capitalist countries over the same period came to only 11 per cent The delegates from the socialist countries also gave voice to their support for the developing countries' understandable desire to build and expand their merchant fleets In that connection the Soviet delegate drew attention to the expanding Soviet Indian co operation in the sphere of shipping, in accordance with which their two fleets shared cargoes on an equal footing, stressing at the same time that the USSR intended to open new merchant shipping lines to the developing countries The honest approach to the developing states on the part of the socialist countries and their energetic support of the just demands of the newly independent states met with complete approval on the part of all delegations from the developing countries represented at the Delhi conference

The representatives of the leading capitalist countries adopted a completely different stand The British, Dutch Danish, Japanese and Norwegian delegates attempted to call in question the expediency of the developing countries building their own merchant fleets The US delegation did not reply to the address by the Pakistani delegate who conclusively demonstrated that a large part of American aid had been consumed by the *high freight costs* demanded from the developing countries Nor did the US representa-

tives give a reply to the Soviet delegation s grounded accusation to the effect that US planes and ships had been going in for 'pirate" activities for many years encroaching on the free passage of ships off the coasts of Indochina and the KPDR and in the Caribbean and Mediterranean seas, not merely scrutinising and holding up the merchant vessels of numerous countries, but even subjecting them to open attacks An attempt by a US representative to justify his government s foreign trade policy towards the developing countries in this sphere proved a complete fiasco his announce ment that the recently signed agreement on preferential trade terms concluded by the United States and the Philip pines was in keeping with the interests of the latter, gave rise to strong protest on the part of a Philippine delegate, who pointed out in his speech on March 1, 1968 that the agreement was only advantageous for the United States, which had thereby secured for itself duty free access to the Philippine market, ousted all competitors and undermined the islands' local industry

The delegations from the leading capitalist powers objected particularly vehemently to proposed improvements in trade terms for the developing countries, exerting pressure on the delegations of some countries present to stand down The British representative, for example hurried to point out that Britain could give no guarantees on that count, while the US delegate announced that his country would not grant any universal tariff preferences to the developing countries until it had made a study of the consequences this step would have on certain branches of American pro duction

Precisely the position adopted by these powers, who are above all to blame for the economic backwardness of the developing countries and who continue to exploit their manpower and natural resources effecting systematic plunder of the same by various means including trade, almost reduced the Delhi conference to deadlock In this connection Gunnar Myrdal pointed out It is a fact, that, as yet, no Western developed nation has made any real sacrifices in shouldering aid obligations to developing countries Neither have they been prepared, on the whole, to abstain from even minor trading advantages that can

be shown not to be of real long term interest to a developing country!"[1]

Nevertheless thanks to the socialist countries' support for the main proposals put forward by the developing states, this conference was to signify a step forward in comparison with the first UN Conference on Trade and Development as rightly noted in an interview given by Nikolai Patolichev, head of the Soviet delegation, on March 27, 1968[2] This evaluation of the conference was shared by many delegates from the developing countries, including the Secretary General of UNCTAD, Raul Prebisch, who in his concluding speech referred to the results of the conference as "modest but positive' The Delhi conference adopted some important resolutions, a number of which had been proposed by the socialist countries[3] and welcomed by the majority of the conference delegates The session approved the shipping resolution calling on the industrially developed countries to view positively the requests of the developing countries for help in the creation and expansion of their own merchant fleets *The conference also adopted a resolution for universal tariff preferences in the interests of the developing countries, although it did not oblige the developed countries to take any concrete steps in this direction It would of course have been naive to expect that this conference could have solved all trade problems given the unwillingness to co operate on the part of the leading capitalist powers, which continue systematically to plunder the developing countries and expand their export trade mainly at the expense of the latter Revealing in this respect is the fact that in 1967 *alone the US monopolies increased their exports to* these countries by almost 2,000 million dollars thanks merely to tariff 'concessions' in its interests the United States earned no less than an additional 3,000 million dollars

[1] Gunnar Myrdal, op, cit, p 313

[2] See *Pravda*, March 28, 1968

[3] On the stabilisation of prices for traditional exports of the developing countries and the expansion of the range of their exports, on the extension of economic and trade co-operation between the socialist and the developing countries, on the conditions for long term bilateral agreements concerning raw materials, on possible ways of curtailing the outflow of the developing countries' financial resources,' etc.

from its export trade with the developing the countries Nor it is a coincidence that the leading capitalist powers were put out by positive resolutions adopted in Delhi It is precisely their fault that there has as yet been no practical elaboration of a universal system of tariff preferences in the interests of the developing countries on a basis of mutual advantage and non discrimination At the request of the leading capitalist powers the first session of the special UNCTAD committee formed to draw up these tariff preferences was put off for six months When the committee finally did meet in Geneva at the end of 1968 the leading capitalist powers refused to discuss the concrete details of any such system Nor did the outlook change in the course of the committee's second session held in April 1969 As a result of the stand adopted by their representatives the UNCTAD committee was again unable to complete the task entrusted to it at its session in Geneva in September 1970

The developing countries are making more frequent and more effective use of the United Nations and special international organisations to defend their trading interests Thanks to these efforts which enjoy the support of the socialist countries international agreements on sugar and coffee have come into effect in recent years The draft for a sugar agreement was approved on October 24, 1968 at the UN Sugar Conference held in Geneva By the end of 1969 34 countries, including the USSR, had subscribed to it and 21 others had announced their readiness to do so On January 3, 1969 a new International Coffee Agreement came into force which was then ratified in London on February 19, 1968 at a session of the International Coffee Organisation Council, by which time 53 countries had subscribed to it These and other such agreements guaranteed markets for coffee and sugar exporters and also minimum prices for these commodities

The honest policies of the USSR and the other socialist countries in relation to the developing countries and their co operation with the latter, have compelled the leading capitalist countries to make certain concessions to the developing countries with regard to trade, including the question of tariff preferences for manufactured goods, although

these concessions were not of any major significance. David Rockefeller, chairman of the Chase Manhattan Bank, at an international financial forum in Rome in March 1971 called attention to the need for a reappraisal of foreign trade policy. This spokesman for US finance capital found himself obliged to acknowledge the catastrophic effects of protectionism and dumping and also of discrimination against the socialist countries in the sphere of trade, while mainly accusing the Common Market countries of these practices. Calling for some reappraisal of US trade policy and for an extension of US trade with the USSR and other socialist countries, David Rockefeller was of course taking as his point of departure primarily the interests of American capital, he also expressed the hope that improved trade would secure more advantageous conditions for private American investment overseas.[1]

Still earlier President Nixon had acknowledged the need for a reappraisal of US trade policy in his message to Congress on foreign policy on February 18, 1970. After emphasising the United States' adherence to the principles of free trade, President Nixon admitted that for their trade to develop successfully the developing countries must have guaranteed access to the markets of the industrially developed countries, making the decision of this problem conditional on the conclusion of an international agreement on tariff preferences.[2] This, however, Nixon was to repeat in his message to Congress on foreign policy exactly a year later, on February 18, 1971. So far there is no noticeable change in the foreign trade policies. Moreover in the wake of the recent dollar crisis of August 1971, the United States was compelled to announce new protectionist measures, including the introduction of an interim 10 per cent surcharge on imports which dealt a heavy blow at the interests of the developing countries, in particular those of Latin America which are especially dependent on US markets.

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[1] *The New York Times*, March [illegible], 1971.
[2] [illegible] February 18, 1970, [illegible]

agreement for the stationing of South African troops in Lesotho if, in the opinion of both governments, the need should arise after the departure of the British All this, together with the fact that this small state is surrounded on all sides by South African territory, serves to show that its independence is a mere formality The British adopted similar tactics in relation to the new republic of Botswana (known as Bechuanaland before independence) The grant-ing' of independence to this republic was also a pure formality

At the end of 1967 Britain announced its intention of granting independence to the Swaziland Protectorate On February 19 of the next year, negotiations with a Swaziland delegation sent to Britain for the purpose were opened in London The draft for the Constitution which was to have come into force on September 6, 1968, was prepared by the Commonwealth Relations Office on similar lines to the Lesotho Constitution and was designed to consolidate British domination in that country whose independence was also purely nominal During the London negotiations it was agreed that the government of the new independent state would maintain friendly and close ties with the Republic of South Africa During the April 1967 elections which ended in a victory" for the party led by King Sobhuza II[1] which gained all 24 seats in parliament", the electoral system, also prepared by the British, proved itself in practice the local progressive party—the Ngwane National Liberatory Congress—did not gain a single seat in parliament although it gained over 20 per cent of the votes The demand put forward by Dr A P Zwane, the leader of the party, for the elections to be conducted under supervision of OAU observers was turned down by the British

This method of granting formal independence assumes various forms One is the *amalgamation of a number of former colonies* or dependent territories *in federations* A typical example of this was the establishment by the British of the Central African Federation, embracing Northern Rhodesia, Southern Rhodesia and Nyasaland Naturally enough the British colonialists did not consult

[1] The Imbokodvo National Movement

the peoples of these countries before embarking on such a step The motive behind it was to put off, at least for a time, granting genuine independence to the colonies and territories incorporated into the new federation However strong protest from the peoples of Northern Rhodesia and Nyasaland finally disrupted this plan and, by the end of 1963, two more new states appeared on the map of Africa Zambia and Malawi

After that the British colonialists adopted new tactics with regard to Southern Rhodesia, although the motive behind their actions remained the same to delay granting genuine independence to the country's native population, the Zimbabwe people Steps had been taken to pave the way for the creation of a racialist regime in Southern Rhodesia by the British as far back as the 1930s According to the racialist laws obtaining in that country, Rhodesia was divided into African and European areas and, what was more, the white minority (220,000) was given *half* the agricultural land, while four million Africans had to make do with the other half Official figures reveal that average wages for whites are still ten times the average African wages Only 12,000 of the four million Africans are allowed to participate in elections' With the obvious approval of British neocolonialists, the government of the white minority headed by Ian Smith started to press for unilateral declaration of independence for Southern Rhodesia, as was first announced on November 11, 1965 Before declaring independence the Smith regime threw all 'sus picious" Africans into concentration camps In an appraisal of these measures the French newspaper *Le Figaro* wrote at the time The police is arresting suspects and 'settles' them in the camps without trial, supposedly for one year However there is nothing to prevent them from being de tained there indefinitely The number of these 'settlers' varies from one to five thousand according to whether the source is a government or liberal one "[1]

The lack of unity among the African political organisations accounts for the confidence displayed by the henchman of the racialist Rhodesian Front, Ian Smith In Rhodesia

[1] *Le Figaro*, November 13 14, 1965, p. 5

there are two political organisations, the Zimbabwe African National Union (ZANU), which reflects above all the attitudes of the intelligentsia, and the Zimbabwe African People's Union (ZAPU), which represents wide sections of the country's native population However, ZAPU is also not wholly consistent in its policies Whereas ZAPU originally supported the creation of a government consisting of representatives of the African majority and 'one man one vote elections, in December 1965 it compromised and started advocating the creation of a national' government for a five year transition period, thus renouncing, although only temporarily its original goal

Despite British 'protests", despite a special visit by British Prime Minister Wilson to Salisbury in October 1965 for negotiations with Ian Smith and Britain's later appeal to the Security Council, and even despite the "sanctions [1] against Rhodesia, a sober assessment of Britain s actions brings to light attempts to consolidate yet another stronghold of racialism and neocolonialism in Southern Rhodesia—just another link in the chain of barriers set up against the national liberation and anti imperialist movement of the African peoples The British *Daily Worker* summed up these manoeuvres of the British neocolonialists in the following apt sentence What Britain is doing—or failing to do—is, in fact, helping to maintain white supremacy in Rhodesia '[2] This is borne out by several well known facts it is precisely Britain who armed the Smith regime, thereby encouraging Rhodesia to ally itself with racialists in South Africa and the Portuguese colonialists in Angola and Mozambique [3] The UDI was a challenge from Ian Smith not only for the liberated African countries but also an outrage against the UN Declaration on the Granting of Independence to Colonial Countries and Peoples (1960) Approximately a month previously, on October 12, 1965, the UN General Assembly, prompted

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[1] British sanctions took the form of an embargo on oil exports to Southern Rhodesia, which according to the British press have proved completely ineffective See *The Financial Times*, November 17, 1965

[2] *The Daily Worker*, December 6, 1965

[3] See "The Soviet Government Statement in Connection with the Situation in Southern Rhodesia", *Pravda*, November 17, 1965

by the African countries, had adopted a resolution 2012 (XX) demanding that Britain take all necessary steps, if the Smith regime should proclaim independence" On November 11, 1965, the UN General Assembly adopted another resolution condemning Smith's illegal act and again proposing that Britain take action, even resort to armed force, and transfer power to a government embodying the will of the Zimbabwe people On November 12, 1965, the UN Security Council in its turn called on all countries not to recognise the racialist regime and refuse it any support [1] In October 1965 a session of the OAU Council of Ministers and a conference of the heads of state and governments from the OAU member countries were held in Accra The two meetings unanimously condemned both the Smith regime and the behaviour of the British Government, demanding a revocation of the 1961 Constitution, the release of political prisoners and new elections based on the 'one man one vote" principle However, the Smith regime chose to ignore not only the UN resolutions but the OAU ones as well The situation called for decisive action on the part of the African countries and in Addis Ababa an emergency session of the OAU Council of Ministers was convened, which on December 3, 1965 adopted the following resolutions

(a) all OAU members would immediately bring into effect a total economic blockade against Southern Rhodesia,

(b) if Britain did not break with the racialist regime by December 15 all OAU members would break off diplomatic relations with her,

(c) to turn to all friends of Africa with a request for all possible help to carry out the measures aimed at overthrowing the Smith regime,

(d) to turn to all countries with a request to halt oil deliveries to Southern Rhodesia

The whole of Africa welcomed these OAU resolutions These resolutions were indeed of outstanding importance and their strength lay above all in the unanimity of the 36 countries that approved them at the OAU meeting

[1] See Document S/Res 216 (1965) of November 12, 1965 Resolution 217 (1965) adopted November 20 1965, and Document S/Res 217 (1965) of November 22 1965

No less important was the fact that during the session the African OAU members had frequent occasion to observe that Britain was an accessory to Rhodesia's "unilateral" declaration of 'independence" and was trying to restrict the African countries freedom of action

Yet the position of the colonial powers in Africa is still strong and they have succeeded in undermining that unity only ten countries consistently carried out the resolutions adopted by the OAU Council of Ministers [1] The governments of Morocco, Senegal, Tunisia, Cameroun, Ethiopia and some other countries confined themselves to breaking off economic and trade links with Rhodesia A number of African countries refrained from breaking off diplomatic relations with Britain explaining this by their lack of armed forces with which to combat the Smith régime Thus the manoeuvres of the neocolonialists, who undoubtedly brought pressure to bear on the governments of many African countries, were on this occasion successful The British Government's protection of the Smith régime had become so blatant by this time that the African delegates left the hall in protest when the British Prime Minister Harold Wilson tried to justify British policy on this issue in the course of his speech at the plenary session of the UN General Assembly on December 16, 1965

Trying at all costs to consolidate this temporary success the British Government hurriedly decided to call a conference of the Commonwealth heads of state which was held in Lagos on January 12 13, 1966 This manoeuvre of the British neocolonialists was an obvious sham and naturally gave rise to harsh criticism in Africa This is what *The Ghanaian Times* had to say on the subject for instance No one need take the antics of the Commonwealth seriously For it looks as if the strings are being pulled somewhere Nor should these States, whose action is perhaps unconsciously aimed at sabotaging the OAU, forget the warning that to betray a people's revolution for personal or foreign interest is a crime of an unpardonable nature "[2] Sure enough

[1] Including Algeria, Guinea, Tanzania, Egypt, Mali, and Congo (Brazzaville)

[2] *The Ghanaian Times*, January 11, 1966

the decisions of that conference reduced to nothing the OAU resolutions Wilson succeeded in convincing those attending the conference that it would be sufficient for them to confine themselves to economic sanctions against Southern Rhodesia Representatives of some countries present although they demanded that Britain take military action (Sierra Leone, Zambia, and others) did not do so forcefully enough to influence the final decisions taken at the conference Time was to show that "sanctions did not have any particularly powerful effect on Southern Rhodesia s economy and trade These tactics on the part of the British neocolonialists were naturally supported by her partners in NATO who considered this issue an "internal matter for Britain

Thus the British neocolonialists and the Rhodesian racialist regime have succeeded with the help of other NATO countries in applying the method of granting formal independence to the native population of Rhodesia However, the final word on this issue belongs to the peoples of Africa One thing is certain this attempt at camouflaged neocolonialism has been exposed before the whole African continent and this alone means that the imperialists will not be able to achieve the success they are counting on The fact that Britain s manoeuvres have been exposed was confirmed yet again by the conclusions drawn at the 10th session of the OAU Council of Ministers held at the end of February 1968 Almost all the countries represented there condemned the South African and Rhodesian regimes and that imposed in the Portuguese colonies the session confirmed that the economic sanctions against the Smith regime had been a complete failure since they had been ignored by the Republic of South Africa, Portugal and a number of Western countries which had violated the resolutions adopted by the United Nations and the OAU and for all intents and purposes by Britain herself Further exposure of the manoeuvres resorted to by the Western powers in connection with the Rhodesian issue took place when the issue was discussed in the UN Security Council in March and April 1969

The Smith regime enjoying the support of the Western powers as it does continues to pay no attention to the

resolutions passed in relation to Rhodesia, including those of the Security Council of the United Nations The position adopted by the Western powers was openly acknowledged by the Portuguese Minister for Foreign Affairs on February 21, 1969 in a reply to notes from the UN Secretary General of January 6 and 7, in which U Thant pointed out that Portugal was violating the Security Council resolutions on the Rhodesian question The Portuguese Minister explained his refusal to close down the Portuguese consulates and air line offices in Rhodesia, saying that Portugal was not the only country still maintaining various forms of representation in Salisbury The British Government, on the other hand, is finding it harder and harder to disguise its complicity with Ian Smith and its refusal to grant independence to the Zimbabwe people without risking a break up of the Commonwealth, as emerged from the Commonwealth Prime Ministers' Meeting held in London on January 7-15, 1969 Despite the appeal of the British press to the meeting delegates to view British policy on the Rhodesian question with due understanding', the overwhelming majority of the delegates (23 out of 28) criticised that policy [1] Wilson continued to press for approval of the plan of action evolved on the basis of his talks with Ian Smith on board *HMS Fearless* However, the British plan was rejected by the delegates to that conference which resulted in a deeper split between the 'rich" and the "poor" members of the Commonwealth on the one hand, and signified an unmistakable rejection of any appeasement of the Smith regime on the other.

Such was the situation when in May 1969 Ian Smith had recourse to a referendum for approval of the new Constitution and proclaimed a republic of Rhodesia in an attempt to "legalise" his regime According to that Constitution the Rhodesian parliament was to have 66 members (fifty elected by Europeans and 16 by Africans) This new attempt at trickery gave rise to strong protest throughout Africa which found expression in a special OAU declaration on May 22, 1969 This declaration stated that (a) Ian Smith's

[1] Only Australia New Zealand, Malawi and Malta supported Britain on this occasion

plan again brought up the question of Britain's responsibility for the future of the Zimbabwe people, (b) there was no longer any path open to Britain apart from the use of force against this regime, and any other course of action would merely demonstrate Britain's active complicity, (c) the OAU would continue to give its support to the Zimbabwe people, (d) the OAU demanded that all countries broke off diplomatic relations with Rhodesia, (e) the OAU insisted that the UN Security Council apply the principles laid down in Chapter VII of the United Nations Charter to the Smith regime

In June 1969 the UN Security Council again reviewed the Rhodesian question However, despite the unanimous condemnation of the "referendum" manoeuvre resorted to by the Smith regime, as a result of the position adopted by the representatives of the imperialist powers, the Security Council did not accept the proposals put forward by the USSR and various other countries with regard to the application of the principles laid down in Chapter VII of the United Nations Charter to the Smith regime The stand then adopted by the United States and Britain was particularly hypocritical as was brought to light once more in the course of the Security Council meeting and still more clearly during the 13th session of the OAU Council of Ministers (August 1969) and the 6th session of the Summit Conference of Heads of State and Governments of the OAU (Addis Ababa, September 5 8, 1969) Diallo Telli, the OAU Secretary General, stated openly in his report to the conference that the United States, Britain, the FRG, France and Japan were openly supporting colonialist and racialist regimes in Africa During the session of the OAU Council of Ministers on August 27, 1969, V Rwamwaro, the Ugandan representative, accused Britain of shameless betrayal and abandonment of her responsibilities in Rhodesia backing up these words with ample evidence, Abdou Sidikou, Nigeria's Secretary of State for Foreign Affairs, described in graphic terms the humiliating challenge thrown to the world by the white minority governments in South Africa and Rhodesia The conference's subsequent resolution stressed the legitimacy of the struggle against racialist and colonial regimes and the determination of the OAU to support

national liberation movements In the closing speech at the 6th session of the conference, Ahmadou Ahidjo, President of Cameroun called upon the Western powers to stop conniving at the racialist and colonial regimes in southern Africa

Faced by the united imperialist front openly supporting the colonialist and racialist policies of Portugal, the Republic of South Africa and Ian Smith, the leaders of the independent African states have become more aware of the need for united action as their most effective weapon in the struggle against the neocolonialist manoeuvres of Britain and her NATO allies *The growth of this unity was reflected in the* resolutions passed at the 15th session of the OAU Council of Ministers (Addis Ababa, August 1970) attended by 40 member countries The session confirmed the resolution of those countries to support national liberation movements throughout the continent and condemned in no uncertain terms arms deliveries from NATO countries to racialist regimes and to Portugal in violation of the UN Security Council resolution These resolutions adopted by the OAU Council of Ministers were supported in September 1970 by the Summit Conference of Heads of State and Governments of the OAU a fact which testified to the growing consolidation of the forces of free Africa This new mood was reflected in the Nigerian newspaper *West African Pilot* which commented It is now almost conclusively obvious that Great Britain, France West Germany and the United States of America are unwilling to help African leaders

It has long been felt that economic sanction against any of the African enemies is a downright failure *The whole affair now rests on African leaders to help themselves* (my emphasis —*V V*) [1]

Still greater unanimity was demonstrated during the emergency session of the OAU Council of Ministers (Lagos December 9 11 1970) convened on account of the attempted invasion of the Republic of Guinea by Portugal and her mercenaries The session discussed the report delivered by Diallo Telli the OAU Secretary General and the statement made by the Guinean delegation Diallo Telli reminded

[1] *West African Pilot* Lagos September 1ɔ 1970

delegates to the session of former aggressive acts perpetrated by Portugal, South Africa and Rhodesia against Zambia, the Democratic Republic of the Congo, the People's Republic of the Congo, Senegal and the Republic of Guinea, calling attention to the need for political, diplomatic, financial and military measures to repulse Portugal in the event of any new attack against an African country Ismail Toure, head of the Guinean delegation, proposed the following plan of action for the OAU consolidation of the Republic of Guinea's defence potential, the creation of an effective military arm of the OAU, increased aid to liberation movements in Africa, the proclamation of November 22 as the Day of Struggle Against Portuguese Colonialism, the immediate adoption of essential measures by the group of African countries in the UN, the convocation of a meeting for the heads of state from the OAU member countries These proposals were supported by the majority of delegations present and provided the basis for the resolutions adopted by the session The session passed two resolutions severely condemning Portugal's aggressive action and support of Portuguese policy by the NATO countries, demanding that Portugal pay reparations to Guinea for the losses incurred in accordance with the UN Security Council resolution to that effect approved on December 5, 1970, and that the mercenaries who took part in the barbarous aggression be punished The session also resolved to proclaim the day on which the Portuguese mercenaries had invaded Guinean territory, namely November 22, 1970, as the Day of Struggle Against Portuguese Colonialism

At that session it was also decided that the necessary material, military and technical assistance would be afforded the Republic of Guinea if any new acts of aggression occurred and that the aid to the national liberation movements in the Portuguese colonies would be stepped up During that session of the OAU Council of Ministers the feasibility of sending contingents of African troops to protect the Republic of Guinea was also discussed Practical possibilities for carrying out the approved resolutions were discussed later at a session of the OAU Defence Commission.

Summing up the results of this extraordinary session Ismail Toure, the leader of the Guinean delegation, described

them as an important advance for the whole of progressive Africa stressing that they were important for the whole of Africa and the continent's future Thus it can be seen that the unity of the OAU countries (41 African states now belong to the organisation) and the effectiveness of its actions during the ten years of its existence have been well consolidated

The OAU's unanimous condemnation of British policy over the Rhodesian question has again placed that country's ruling circles in an awkward political position In its search for a solution Heath's Conservative Government decided once again to resort to secret negotiations with Ian Smith in the hope of agreeing on some "honourable" settlement

This "honourable" settlement was arrived at in the course of talks between the British Foreign Secretary, Sir Alec Douglas Home, and Ian Smith in Salisbury at the end of November 1971, however the "settlement" was condemned as shameful by all progressive circles Essentially it represented a complete capitulation of the British Government and its final betrayal of the Zimbabwe people Smith's promise "gradually" to hand over power in parliament to Africans (on the basis of the existing racialist Constitution of 1969), as the latter gained seats in parliament, was regarded as a disreputable sham by public opinion in Britain as well as abroad The majority of the members of the UN Security Council viewed this deal between the British Conservatives and the Rhodesian racialists in exactly the same light after their discussion of the question in November 1971 Naturally all progressive forces in Africa which indignantly condemned the deal out of hand, took the same view[1]

It therefore [illegible] unmistakably that the granting of formal political independence to the former colonies while the [illegible] retain their economic, financial and political [illegible] is widely practised in the Third World and has become a typical [illegible] of neocolonialist strategy. However, in those cases where the local [illegible] already [illegible]

[1] [illegible]

mined, the imperialist powers abandon all talk of 'voluntarily" granting independence to their former colonies and halt at nothing, even open military action, to preserve or attempt to restore colonial regimes This is clearly borne out by the history of the struggle for independence waged by the peoples of Indonesia, Egypt, Malaya, Algeria, the Congo, Vietnam, Laos,' Cambodia and the Portuguese colonies

5 MILITARY METHODS APPLIED BY NEOCOLONIALISTS

The setting up of aggressive military blocs and alliances and overseas military bases was used not only in the struggle against the socialist countries and in connection with preparations for a third world war, but also for combatting the national liberation and anti imperialist movement and the developing countries These neocolonialist methods have been widely applied in conjunction with *acts of aggression police operations, the provocation of local wars, various forms of intervention in the internal affairs of the developing countries, including conspiracies, coups d etat and assassination of leaders* of the newly independent states, and the national liberation and anti imperialist movement A whole number of incidents in the recent past exemplify the broad application of these methods the provocation of civil conflict between Greeks and Turks in Cyprus, border confrontations between Somalia and Ethiopia, attempts to intervene in Cuba, conspiracies and military coups a number of African countries, the roots of which were often traceable to London, the murder of Eduardo Mondlane, leader of FRELIMO, and of Amilcar Cabral, leader of PAIGC, British aggression against the Yemen, Portugal's act of aggression against Senegal, US armed intervention in the Dominican Republic, Israel s aggression against Egypt, Syria and Jordan, Portuguese aggression against the Republic of Guinea The prime piece of villainy perpetrated by present day colonialists, as justly singled out by Comrade Brezhnev was the

them as an important advance for the whole of progressive Africa, stressing that they were important for the whole of Africa and the continent's future Thus it can be seen that the unity of the OAU countries (41 African states now belong to the organisation) and the effectiveness of its actions during the ten years of its existence have been well consolidated

The OAU's unanimous condemnation of British policy over the Rhodesian question has again placed that country's ruling circles in an awkward political position In its search for a solution Heath's Conservative Government decided once again to resort to secret negotiations with Ian Smith in the hope of agreeing on some "honourable" settlement

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It therefore emerges unmistakably that the granting of formal independence to the former colonies while the monopolies retain their economic, financial and political grip on these countries is widely practised in the Third World and has become a typical method of neocolonialist strategy However, in those cases where the domination of the colonial power has already been considerably under-

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[1] See *The Daily Times*, Lagos, November 28, 1971, *The Times*, December 1, 1971.

mined, the imperialist powers abandon all talk of "voluntarily' granting independence to their former colonies and halt at nothing, even open military action, to preserve or attempt to restore colonial regimes This is clearly borne out by the history of the struggle for independence waged by the peoples of Indonesia, Egypt, Malaya, Algeria, the Congo, Vietnam, Laos,' Cambodia and the Portuguese colonies

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aggression against the peoples of Vietnam, Cambodia and Laos".[1]

Neocolonialists are trying to make use of military blocs and organisations such as NATO, SEATO, CENTO, OAS, so as to involve other countries in these acts of aggression, and to create new ones. In his description of this aspect of present-day imperialism, L. I. Brezhnev emphasised in his report to the 24th Congress of the CPSU that "since the war militarism in the capitalist world has been growing on an unprecedented scale", pointing out that "in 1970 alone, the NATO countries invested 103 thousand million dollars in war preparations".[2]

The growing differences between the leading members of NATO, SEATO and CENTO went a considerable way towards weakening these organisations and are still obstructing the active use of these military bodies for combatting the national-liberation movement. This does not mean however that the leaders of these blocs are not hatching plans to improve this state of affairs. Various NATO agencies are attempting to find "theoretical" substantiation and justifications for the role of the military blocs and alliances set up by the imperialists. Furthermore the NATO leaders have assumed the right of military intervention in the internal affairs even of member countries, if it seems to them that a situation has arisen which is "detrimental to NATO interests". The plan for "Operation Prometheus", in accordance with which the coup d'état was effected in Greece at the end of 1967, provides an eloquent illustration of this. NATO's "right" to intervene in other states' internal affairs was virtually laid down in Article 4 of the NATO Treaty,[3] or to be more precise in the interpretation given to that article by the leading members of the Treaty Organisation. Their interpretation of that clause

[1] Report of the Central Committee of the CPSU to the 24th Congress of the CPSU, delivered by L. Brezhnev in *24th Congress of the CPSU*, Documents, Moscow, 1971, p. 22.

[2] Ibid., p. 21.

[3] Article 4 reads: "The Parties will consult together whenever, *in the opinion of any of them*, the territorial integrity, political independence or security of *any of Parties* is threatened." (My emphasis.—*V. V.*)

imperialists compelled that country to curtail somewhat its military expenditure, which made itself felt first and foremost in Britain's diminished degree of involvement in the military activities of this particular bloc This development was also reflected in the communiqué[1] issued at the end of the 13th session of the SEATO Council which took place in April 1968 The gradual withdrawal of France, Pakistan and Britain from active involvement in SEATO s military activities put paid to the US military circles hopes of persuading more members of the bloc to take part in the aggressive war in Indochina Appeals from US representatives at the 13th session of the SEATO Council to the other members met with little support The plan for setting up contingents of permanent armed forces under the auspices of this bloc also came to nothing In an evaluation of the condition of SEATO *The Bangkok Post* had the following comment to make 'The general thinking about the alliance in recent years has not been particularly optimistic, partly because of the refusal of France and Pakistan to take full part in the SEATO activities and partly because of new uncertainties arising out of Britain's decision to pull out of Southeast Asia "[2] The *Washington Evening Star* wrote at the time that the series of diplomatic meetings in Wellington (New Zealand) served to prove that the anti communist union in Asia ceased practically to exist, serving exclusively as a rostrum for airing various views [3]

Faced by the crumbling of the aims and strategy of SEATO the United States undertook a number of steps aimed at filling the vacuum' which involved support for "the trend towards regional co operation", in other words the preservation in any possible form of the 'strategic arc" stretching from Japan and South Korea by way of Indonesia to Australia and New Zealand In accordance with these principles the United States also gave active support to the Malaysian "initiative' for the creation in 1961 of the

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[1] France did not participate in this session, the Pakistani representative refused to subscribe to this communique

[2] *The Bangkok Post* April 3, 1968, p 4

[3] See *Washington Evening Star*, April 9, 1968

from the seven countries[1] then taking part in the aggressive war in Vietnam held in Bangkok on May 22, 1969

While keen discussion was in progress concerning the replacement of SEATO by 'something else" the United States military circles took steps to save the bloc come what may, the more so since the fifteenth anniversary of its formation was approaching[2] A further move in this direction was the proposal put forward by the former Foreign Minister of the Philippines, Narciso Ramos, in May 1968 calling for the exclusion from SEATO of those countries whose activities did not promote the organisation's consolidation, i e, France and Pakistan However, this did little to save the situation, as was borne out by the 14th session of the SEATO Council in Bangkok on May 20 21, 1969, which once more pointed to the untenability of this bloc in Asia The ministers present noted in their final communique that the most significant event of the previous year had been the start of Vietnam negotiations in Paris, which in itself represented an indirect acknowledgement of the failure of SEATO policy regarding that country The SEATO Council was also obliged to accept the need to implement the Geneva Agreements of 1954 with regard to Vietnam Only Thailand was to increase somewhat its contingent of troops in Vietnam during 1968, as was also noted in the communique at the end of the 14th session of the SEATO Council In order to provide the illusion of peaceful SEATO activities the Philippine representative proposed that co operation between the countries in the Treaty area" should be stepped up, in particular with regard to the creation of a corps of youth "volunteers', a university of Southeast Asia and also a teaching centre to train doctors for work in rural areas Such were the main results of that particular session As at previous sessions, so on this occasion the French representative did not participate in the proceedings, while Pakistan was merely represented by her Bangkok ambassador who attended as an observer.

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[1] The United States Australia, Thailand, the Philippines, New Zealand, the Seoul and Saigon regimes

[2] September 8, 1969,

The new momentum to be observed in the national-liberation and anti-imperialist movement in the countries of the Middle East shook to its foundations a third bloc knocked together by the neocolonialists, namely the Baghdad Pact, and the anti-imperialist uprising in Iraq in July 1958 deprived it of both headquarters and name. The United States and Britain hurriedly set it up again under a new name, although this time they only succeeded in persuading two countries from that part of the world to join the Central Treaty Organisation, namely Turkey and Iran and a single country from Central Asia, namely Pakistan.[1] Yet the new bloc remained inactive despite efforts on the part of the United States military circles and Britain to "revive" it. It should be borne in mind that it was above all British imperialists who had a vested interest in the CENTO bloc. During the session of the CENTO Council in April 1965 the British tried to make capital out of America's irritation over de Gaulle's policy with regard to NATO and US aggression in Vietnam, and persuade the United States and other CENTO members to intervene openly in the Yemen conflict on the side of Britain in exchange for an offer to "support" the USA in Vietnam and Turkey in Cyprus. This deal did not however materialise and no collective actions of the CENTO bloc were effected. During the April 1965 session all the British achieved was a declaration from the United States to the effect that the latter would apply an economic boycott against Egypt.

The weakness of the CENTO bloc is manifested by the activity commenced towards the end of 1965 in US, diplomatic circles of Western countries in connection with the so-called "Islamic pact". This was a new attempt[2] to revive the Baghdad Pact which these three countries were hoping would serve to check the progress of the national-liberation movement and also cause a split in the movements for Arab and African unity. Masking their real aims by talk of the "unity of the Islamic world" the would-be initia-

[1] CENTO members are Britain, Iran, Pakistan and Turkey; the United States is an associate member.

[2] Negotiations concerning the creation of this pact were conducted with King Saud by Dulles as long ago as 1957: see *Al-Ahram*, March 4, 1966.

tors of this new military alliance openly stated that such countries as Egypt, Syria, the Republic of Guinea, and the Republic of Mali should not be admitted to it, in other words they were trying to form an alliance between the reactionary feudal regimes and the main partners of the NATO bloc This meant that the plans for creating an "Islamic pact" were in effect a conspiracy against all the peoples of the Arab East The intentions on the part of the sponsors of that Alliance to draw Israel into its membership as well tore away once and for all the religious mask from this scheme of the imperialists aspiring to set a new trap for the Arab peoples It is not difficult to see that the American and British oil companies stood behind this concept of an "Islamic pact" as they tried in every possible way to preserve their strongholds and protect their super profits from the extraction, refining and sale of the Middle East's "black gold" The Israeli aggression against Egypt, Syria and Jordan left no doubt as to the real aims behind the new pact

In March 1968 another meeting of CENTO's military committee was held in London, in the course of which the British representatives accused Iran of being unwilling to co operate within the framework of the bloc, when it came to the solution of problems in the Persian Gulf area The fact of the matter was that Iran was attempting to solve these problems without taking into account British colonial interests. Problems connected with the settlement of disputes between Arab principalities in the Persian Gulf and also with the relations between those principalities and Iran were the main problems discussed at the 6th session of the CENTO Council (Teheran, May 26 27, 1969) while topics such as the 'Soviet threat", that the USA and Britain had used as an excuse for setting up the bloc fifteen years previously, were not raised at all It is worth noting in this respect that Pakistan was not taking part in CENTO's military affairs and Iran considered that CENTO had long since lost its military significance Precisely for this reason the US Secretary of State Rogers deemed it necessary to stress during that session that the United States intended "to honor all of our treaty obligations and our security arrangements" to the other members of the bloc.[1] By the

[1] *The New York Times*, May 27, 1969, p. 4.

end of the session all that had been achieved was a brief communique consisting of negligible generalities This was not surprising since the meeting had taken place against a background of growing contradictions within the bloc on the one hand, and between CENTO and other countries, on the other A serious dispute between Iran and Iraq started up in connection with navigation on the Shatt al Arab River, and the dispute between Greece and Turkey over Cyprus continued Iran came out on the side of the Arab countries over the Israeli aggression although she maintains active trade links with the latter Pakistan was affording military aid to Jordan These questions were passed over in the communique with a meaningless phrase not pinning anyone down to anything to the effect that the CENTO Council hoped these tensions would lessen and that the disputes behind them would be solved peacefully in accordance with the principles of international law equality and justice The 17th session of the CENTO Council held in Washington in May 1970 also failed to make any new contribution to the solution of these problems In order to inject some new life into CENTO an extraordinary top secret meeting of the CENTO Counter Subversion Committee, attended by representatives from the intelligence services of the member countries was convened in London in March 1971 The aim of this meeting was to elaborate plans for frustrating efforts on the part of the Soviet Union to establish its influence in the CENTO treaty area

Another task before that meeting was the preparation of the regular session of the CENTO Council in Ancara (April 30 May 2 1971), which also achieved nothing for the leaders of the bloc

Imminent breakdown is also on the cards for the Asian and Pacific Council (ASPAC) set up in 1966 by Australia, Japan, Malaysia, New Zealand, the Philippines Thailand, the Seoul and Saigon regimes and the Chiang Kai shek clique Experience has shown that this pact set up on a bloc basis has accomplished nothing concrete in the way of regional co operation, and for this reason its break up is not, in the opinion of many of its members any cause for major disappointments There is little doubt that a break up is precisely what the bloc is heading for its Standing Committee at

a meeting in Bangkok, March 14, 1973, was unable to fix dates for the next session of the ASPAC Council of Ministers, and two days prior to that Malaysia announced its intention to leave the bloc In addition the Australian representative did not take part in the last meeting of the ASPAC Standing Committee

Military bases of the leading NATO countries provide an important method for promoting neocolonialism, and active use is made of them in *opposing the national liberation and anti imperialist movement*, particularly in Southeast Asia and Africa

A large network of such bases stretches right across the African continent In 1960 the NATO countries (the USA, Britain, France, Portugal and others) had over 60 military, naval and air force bases in Algeria, Libya, Liberia, Malagasy Republic, Morocco, Nigeria, Sierra Leone, Tunisia, Chad, Ethiopia, Eritrea, the Republic of South Africa, Kenya, Mozambique, Malta, etc

Many facts could be cited to illustrate the scale of the activities directed against the national liberation and anti-imperialist movement, which involve using these military bases since the last war Britain has conducted or participated in more than forty "police operations" in various parts of the world making wide use of her overseas military bases In November 1964 British bases in Malta provided a stepping stone on the way to Assumption Island for Belgian paratroopers, and these same islands again came in useful during the so-called 'Stanleyville operation" in the Congo Her aerodrome in Aden[1] enabled Britain to give her infantry air support in the Radhfan Mountains, the El Hawshabi and El-Fazly sultanates where they fought against the National Front for the Liberation of the South Arabian Peninsular Military bases in Aden were also made use of in connection with the suppression of national liberation movements in many other areas Namibia has also been virtually transformed into a military bridge head against the national liberation movement in Africa

The United States made wide use of its naval and

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[1] In January 1966 Anglo American talks were held to discuss the transformation of that British base into a NATO base

air bases (in Guam, Okinawa, Taiwan the Ryukyu Islands, Japan, Thailand, etc) in connection with its war against the peoples of Indochina The US representatives in the Security Council and other UN bodies have announced on more than one occasion that the United States was not a party to the Israeli aggression against Egypt Syria and Jordan Facts however point to active US support in that venture, involving the use of their Kura military base situated near the town of Asmar in Eritrea The Lebanese newspaper *Al Anwar* (in editions published between February 29 and March 9 1968) pointed out with adequate factual backing that the electronics system at that American military base had played a decisive role in the timing of the beginning of the Israeli aggression (June 5 1967).

At the end of 1965 the Pentagon announced that it was to wind up 149 American military bases including 23 situated overseas It is as well to note first and foremost in this connection that after this step had been taken, the USA still possessed (in April 1969) 429 large overseas bases and 2 970 medium sized ones with a total staff numbering close on a million These bases occupied a total area of approximately 4 000 square miles in other states, quite apart from the USA s own island possessions In addition to military personnel at these bases the wives and children of the latter numbered 500 000 and over 250 000 foreign nationals were also employed at US bases Annual maintenance of overseas bases costs the United States between four and five thousand million dollars The bases that the United States wound up in 1969 were almost all outside Southeast Asia and Africa Indeed in the course of the aggressive war in Indochina the United States had considerably extended the network of its bases on the territory of Japan, Thailand, Taiwan and South Vietnam In 1966 67 large-scale projects were put into practice for the extension of those bases and their air force contingents were increased [1] Thailand like Taiwan was turned into an enormous US air base, which the US High Command made full use

[1] The construction of additional landing strips stationary military communications systems deliveries of new planes bringing up the total to 400 doubling of personnel and the helicopter force

of for its neocolonialist war against the peoples of Vietnam, Cambodia and Laos American military bases in the Philippines were also used in conjunction with military operations against the Vietnamese people In the course of this criminal war over 500 million dollars has been spent on the construction and extension of military bases in Thailand alone These bases had a staff totalling over 35,000.

Despite the "winding up" of some American bases in Japan and the transfer of some military sites to the jurisdiction of the Japanese authorities, in January 1969 there were 148 American bases in Japan [1] In June 1969 the United States concluded an agreement with the Seoul régime providing for the construction of two air bases in South Korea, one of which was to be on the island of Cheju Do. The United States also started setting up military bases in the Indian Ocean at that period After reaching an agreement with Britain the United States embarked on the construction of a military airfield on the Farquhar Islands (to the north of Madagascar) and an Anglo-American base for radar and air link on the island of Diego Garcia (to the southwest of Ceylon) Military circles in the United States envisaged the base in Diego Garcia as a reconnaissance base, planning to station long range reconnaissance planes there

Commenting on these plans the Indian *New Age* pointed out with every justification that the base is intended for use first and foremost against the anti-imperialist and non-aligned countries, and called upon the latter to take up a united stand against imperialist activities in the Indian Ocean [2] A joint Anglo American project is also under way in the Seychelles where a military base and satellite-tracking station are being built

In December 1970 talks between Japan and America concerning military bases took place It was announced on that occasion that 108 Phantom planes were to be evacuated from the military bases in Yokota (near Tokyo) and

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[1] The United States controlled the territorial waters of that country in ten places with a total area of about 315 sq miles, 23 areas with a total extent of 12 656 sq miles in the seas off Japan were used by the Americans for training purposes, the US High Command enjoyed the use of Japan's 74 free ports and 24 civil airports.

[2] *New Age*, December 6, 1970.

Misawa (in the prefecture of Aomori) to be based subsequently in Okinawa and South Korea, the Seventh Fleet would be stationed in Sasebo instead of Yokosuka and US total personnel cut down to 12,000 At the same time however under the guise of cutting down US troops in Japan' the United States while retaining the right to use its military bases in Japan, was attempting to shift the burden of their maintenance costs on to Japan according to the self defence principle

At the beginning of 1973 the most recent round of the Japanese American talks on these questions took place during the talks the USA agreed to cut down its troops in Japan by a further 10 per cent and stop using several of its bases there (the decision to be effected during a period of three years) However, it was pointed out that these changes would not affect America s "forward positions in Asia In keeping with this final reservation 89 US bases and installations are going to be kept up in Japan, not counting the 84 bases and installations situated on the island of Okinawa that had been restored to Japan [1] The strength of US military personnel in Japan is being kept down to 20 000 not counting another 20 000 in Okinawa It was also decided that Yokosuka should become the strategic base the US Seventh Fleet and that the supplies for it should be dispatched from Sasebo Yokota is to be the US main air base while Iwakuni is to be the main centre for the US marines

In other words there has been no real reduction in the United States military presence in Asia approximately 259 000 American servicemen are employed at US military bases in South Korea, Japan Okinawa Taiwan, the Philippines and Thailand and also on the ships of the US Seventh Fleet This figure does not include the military bases and troops stationed in the Pacific area, where at the end of 1972 a marked increase in the size of the US armed forces made itself felt

There has not been virtually any change in the situation

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[1] At the end of the occupation after the Second World War there was a total of 3 800 military bases and installations on Japanese territory

on the African continent either. Admittedly as a result of insistent demands on the part of many African countries, the United States, Britain and France were compelled to evacuate either completely or in part some military bases, including those in Merk-al Kebir (Algeria), Bizerta (Tunisia), Cyrenaica (Libya). However, long afterwards the Americans' enormous Wheelus Air Base in Libya (staffed by a total of over 8,000 US air force personnel and 1,400 Libyans) continued to function, and in 1960 it was used for sending the "UN force" to the Congo. Only strong protests from African countries stopped the imperialists making full use of it for the "Stanleyville operation". According to the terms of the 1954 agreement the United States retained the right to use the Wheelus Air Base up until 1970 but hoped to have the use of it even after that

In September 1969 the Government of the Libyan Arab Republic adopted a resolution to make that base subject to customs and immigration controls and the US Government being anxious to retain the base was obliged to agree to this In October 1969 the Libyan Government demanded that all foreign bases on Libyan territory be evacuated immediately and unconditionally Despite attempts on the part of American diplomats to bring pressure to bear on the Libyan Arab Republic in an effort to preserve the base, the United States was compelled to evacuate it and the last 52 American servicemen left Wheelus Air Base at the beginning of June 1970

On October 29, 1969 the Government of the Libyan Arab Republic demanded that Britain begin immediate talks on dismantling her military bases (an air base in El Adem and training grounds) and withdrawal of the British military garrison from Tobruk [1] On November 14, 1969 the British Government was obliged to agree to immediate talks. As the British press had foreseen, the 1953 agreement on mutual defence and also the agreement between Britain and Libya providing for the construction with British help of the

[1] This garrison was stationed in Tobruk in accordance with the 1953 agreement signed for a term of twenty years

£ 130 million air defence system" for Libya were reviewed.[1]

In January 1972 the Government of Malta demanded that the conditions laid down in its agreement with Britain regarding the use of air and naval bases on the island be reviewed and the NATO Naval Command Headquarters be removed from Malta. This agreement was indeed reviewed. These acts undertaken by Libya and Malta were only isolated signs of the activisation of developing countries' struggle for the liquidation of imperialist military bases on their territory. For this reason the United States and its allies in NATO are attempting to consolidate their positions in other neighbouring countries of Africa and the Mediterranean region.

After France had demanded the dismantling of NATO bases and the withdrawal of NATO troops from her territory the US military circles brought increased pressure to bear on a number of African countries in the hope of extending the network of its bases on that continent. In this respect considerable attention was focussed on Morocco, the strategic importance of which was growing rapidly in the new situation.[2]

Despite the official announcement to the effect that all American bases in Morocco (in accordance with the 1963 agreement) would be disbanded, the United States concluded another (secret) treaty providing for the continued maintenance of three military bases on Moroccan territory in Kenitra, Sidi Yahya and Buacnadel, as was officially confirmed in Washington at the end of 1970. It was noted at the same time that Sidi Yahya and Buacnadel—important centres for the US Sixth Fleet's radio communications—are closely linked with the US naval base at Rota off Spain. On August 6, 1970 the United States signed a five-year agreement with Spain in order to extend the period during which it might use the Rota base and the military air bases

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[1] *The Economist*, September 15, 1969, p. 30; *The Times*, November 28, 1969, p. 6 and January 20, 1970, p. 8.

[2] In 1963 the closure of American strategic air bases in Morocco was announced, yet on the strength of a secret agreement concluded the same year the United States set up a military communications centre and other bases in Sidi Yahya (*The New York Times*, July 28, 1970, p. 4).

on its territory. According to American senators Fulbright and Symington, Spain received around 400,000,000 dollars in the period 1966-70 alone, by way of US "gratitude".

Modern colonial policies and neocolonialist practices abound in various forms of *intervention in other nations' internal affairs* aimed at preventing the former colonies from achieving genuine independence. One of the numerous examples of this is the series of events that took place in Guyana in December 1964 when the British colonial administration forced the legally elected government of Cheddi Jagan, leader of the People's Progressive Party, to stand down. In 1953 the PPP had first emerged victorious in elections.[1] The government headed by Jagan drafted a number of measures aimed at making the country more democratic (the separation of schools from the Church, the introduction of new labour legislation and reforms in local government, etc.). These measures,[2] however, were not destined to be put into practice, for Jagan's Government only remained in power a few months before British troops were sent to Guyana and the country was again made subject to a colonial administration headed by a British Governor. New elections were held in 1957 and again, despite intervention on the part of the British and various repressive measures, Jagan's party emerged victorious. In August 1961, when Guyana was at last given back its right to self-government, the PPP succeeded in gaining 20 of the 35 seats in the Legislative Assembly. Once again the imperialist monopolies and governments did all in their power to compromise Jagan's Government by depriving Guyana of all loans that were indispensable for the implementation of the five-year development plan drawn up for the period 1960-64. These monopolies and governments blatantly intervening in Guyana's internal affairs have used every means at their disposal to support the opposition to Jagan's Government which was upholding the interests of the working people. With talk of the 'communist threat" the neocolonialists, in the vanguard of the opposition camp in London attempted to frighten the Guyanese into thinking that

[1] Cheddi Jagan, *Forbidden Freedom. The Story of British Guiana*, London, 1955, pp. 39-49.
[2] Ibid., pp. 50-63.

the PPP was a communist party The *Thunder* magazine, the PPP organ, wrote in this connection that the PPP became to be called a 'communist" party for its unceasing effort to better the life of the oppressed [1] In this subversive activity the British also made use of the right wing of the Association for the Freedom of British Guyana which had been set up in London [2]

In the autumn of 1963, in violation of Guyana's Constitution, the British Government adopted a resolution providing for the general elections the following year, in other words before Guyana was to be finally granted her independence The PPP again drew up an election programme incorporating social and economic reforms and advocating a policy aimed at peace progress and prosperity [3] Despite interference in the elections by British agents who raided PPP offices, despite the support including its financial variety, that was given to the United Force party and the appeals for the replacement of Jagan's Government, at the general elections held on December 7, 1964 the results of the voting were as follows the PPP received 45 8 per cent (almost 4 per cent more than at the preceding elections), the People's National Congress 40 5 per cent, the United Force party 12 4 per cent of the votes and the corresponding distribution of seats was 24 22 and 17 respectively In the given situation it is clear that these elections also represented another impressive victory for the PPP

Meanwhile Harold Wilson, the leader of the British Labour Party, referred to these elections as an empty constitutional formality declaring it was vital to grant the country complete independence After a reactionary dictatorship had been virtually imposed in Guyana and Wilson had become Prime Minister he hastened to grant Guyana its independence" Moreover, American and British colonialists resorted to audacious methods in order to remove Jagan's Government the leader of the People's National Congress Burnham was hastily appointed Prime Minister and he

[1] *Thunder*, Vol II, No 7, November 1964 p 6
[2] Ibid p 3
[3] For further details see *People's Progressive Party Manifesto General Election—December 1962*, Freedom House, Georgetown, November 10, 1964

then proceeded to form his so-called coalition cabinet. When the situation in Guyana was brought up for discussion at the UN Decolonisation Committee (the Committee of 24), which decided to send a special commission to Guyana to investigate, the British Government refused its admission to the country.

An infinite variety of pretexts are used as excuses for intervention in the developing countries' internal affairs: the US intervention in the Dominican Republic (which even James Fulbright, chairman of the US Senate Committee on Foreign Relations, condemned)[1] was carried out under the pretext that CIA agents had evidence at their disposal, that was to prove "inadequate", to the effect that a communist uprising was imminent in that country. The intervention in the internal affairs of Guatemala was carried out without any pretext at all. Military coups were enacted in ten African countries in 1966 alone. Of course the relative importance of this or that factor leading up to them is open to question, yet from the outset it was clear, for example, that agents of the colonial powers were behind the coup that took place in Ghana on February 23, 1966. At the time well-reasoned articles appeared in the African press stating that Britain had been at the back of the Ghana coup. The murder in January 1965 of the Prime Minister of Burundi, Pierre Ngendandumwe, and that in October 1965 of Prime Minister Léopold Biha were later traced back to the hireling of the colonialists, Tchombe,[2] and to the American embassy in Burundi. Thus it did not come as a surprise when the US ambassador was expelled from that country in January 1966. In April 1966 the press[3] revealed that a conspiracy against President Nasser of the UAR had been brought to light.

Conspiracies, murders and military coups have become everyday occurrences, particularly in Africa and Latin America.

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[1] In one of his speeches Fulbright declared that the Administration had "intervened against social revolution and in support . . of a corrupt, reactionary, military oligarchy" (*The New York Times*, December 21, 1965, p. 20).

[2] See *Pravda*, January 17, 1965.

[3] See *The New York Times*, April 15, 1966.

To achieve these ends the United States monopolies not only made use of the CIA but also regular armed forces for example, the US 82nd Airborne Division is used exclusively for such work as is openly acknowledged in speeches and on paper in the USA

On March 21 and 22, 1972, the newspaper *Washington Post* published a series of secret documents belonging to the International Telephone and Telegraph Corporation (ITT) and testifying to attempts undertaken by this and other companies to co operate with the CIA in order to avert Salvador Allende s election as President of Chile in 1970 Their plan was to create economic chaos in Chile and engineer a military coup Almost all the leading executives of ITT played a prominent role in this conspiracy, including John A McCone, former head of the CIA, who was then a member of the company s Board of Directors The collapse of this plan did not stop its initiators from further action as was borne out by events in Chile in the autumn of 1972 Efforts by the same McCone and various official circles in the USA to deny these facts (during the investigation of this scandalous affair in the US Congress) proved a complete fiasco *Washington Post* published new details on April 5 and 6 1973, exposing beyond any doubt this crude intervention in Chile s internal affairs

6 USE OF INTERNATIONAL AND REGIONAL ORGANISATIONS

A prominent place among the masked methods and manoeuvres resorted to by neocolonialists must be accorded to the attempts to use *regional and international political, economic and financial organisations* to implement their colonial policy The colonial powers despite the sharp contradictions between them, often join forces in international and regional organisations in an attempt to elaborate a common policy in their relations with the independent states and at the expense of the interests of the latter Although the neocolonialists are finding it more and more difficult to impose their will on other members of the United Nations UNESCO and certain other international organisations, in others such as the IBRD and its various branches,

IMF the Common Market, the OECD where they rule the roost they are still able to make sure that affairs are conducted in their interests

Thus in the era of the general crisis of capitalism, particularly at the present stage, the colonialists are unable to continue using the old methods of open plunder, violence and brigandage They are obliged to use new, more subtle methods and manoeuvres characteristic of neocolonialism (new ways of exporting capital, more refined trading practices various aid and development programmes the granting of formal independence to colonies, the use of military blocs and bases, more subtle forms of intervention in the internal affairs of developing states and finally attempts to use international and regional organisations in the interests of that same colonial policy)

In subsequent chapters illustrations from the activities of international and other organisations will be used to demonstrate in detail how the imperialist powers are attempting to use these organisations so as to implement their neocolonialist policies This practice is probably one of the best disguised methods of neocolonialism

CHAPTER III

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT— A TOOL OF CAPITAL AND NEOCOLONIALISM

The Second World War wrought tremendous havoc in many countries of the world and the economies of the European countries were bled dry It was the US monopolies who made the biggest profit out of the last war and by 1945 the United States had become the main creditor of the capitalist world In 1944 the United States first started taking steps to consolidate its position of dominance Its other main goal was to save capitalism which due to the far reaching changes resulting from the general crisis of the system was seriously threatened particularly in Europe This should be borne in mind when assessing the significance of the American move to convene a conference in Bretton Woods which opened on July 1, 1944 The conference was preceded by negotiations between the United States and Britain which went on throughout almost the whole of the first half of that year [1] During the Bretton Woods Conference, Articles of Agreement for the institution of the International Bank for Reconstruction and Development (IBRD)[2] and an agreement concerning an International Monetary Fund were elaborated The Articles of Agreement for the World Bank came into effect in December 1945

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[1] *Policies and Operations of the World Bank IFC and IDA* Prepared by the Staff April 1962 (Amended to June 30 1963) Published by the International Bank for Reconstruction and Development Washington D C 1963 20,33 p 2

[2] See *IBRD Articles of Agreement* (Effective December 1945), Reprinted April 1960 Washington D C

1 ARTICLES OF AGREEMENT

The goals underlying US monopolies policy at that time were clearly reflected in the Articles of Agreement Although the World Bank was officially founded as an international, intergovernmental organ, its founders were above all concerned that it should provide a "safe bridge over which private capital could move into the international field" An important aspect of the Articles was the inclusion of international guarantees for World Bank loans and also loans for which the World Bank could act as guarantor The Articles of Agreement stipulated that the Bank would grant loans in cases where the borrower "would be unable to obtain the loan from private sources under reasonable conditions" [1] The structure of the World Bank as laid down in the Articles of Agreement also served to consolidate US and World Bank supremacy

The *Board of Governors* consists of governors appointed by all member countries The governors act in the capacity *of the share-holders' representatives In practice* the Board of Governors delegates its authority to the Board of Directors, the latter being elected or appointed for a term of two years An exception is made in the case of questions which have to be decided by the Board of Governors, such as the *admission of new members and the increase or curtailment* of the Bank's capital [2] The meetings of the World Bank's Board of Governors are held so as to coincide with the annual meetings of the IMF's Board of Governors The World Bank's headquarters is in Washington

Real power is concentrated in the hands of the *Board of Directors* which consists of 21 directors, six of whom *are appointed* by their governments (those of the United States, Britain, the FRG, France, Japan and India) and the other fifteen are elected Each of the directors can appoint his own assistant who acts in place of the director during the latter's absence The Board of Directors is headed by a President elected by the Board America's dominant position

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[1] *Policies and Operations of the World Bank*, pp 3-5

[2] Ibid, p 15.

in the World Bank means this post[1] is always filled by an American The President possesses absolute power both on the strength of his position and also on the strength of the number of votes he can count on The British journalist, James Morris, wrote in connection with this point that the absolute supremacy of the President within his organization means that he can direct its affairs as he likes [2]

Officially the World Bank is a specialised institution[3] of the United Nations acting independently of the United Nations, and this situation was also laid down in an agreement between the World Bank and the UN by reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Bank is, and is required to function as, an independent international organisation ' The agreement contains another clause to the effect that the UN recognises that the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank s own judgement' and that it would be sound policy (for the United Nations) to refrain from making recommendations to the Bank with respect to particular loans or with respect to the terms or conditions of financing by the Bank [4]

The World Bank also established a working relationship with the IMF, the Food and Agricultural Organisation, the World Health Organisation UNESCO and other international organisations, and maintains close links with the Organisation of American States, the OECD and the Inter American Development Bank

2 CAPITAL AND MEMBERSHIP OF THE WORLD BANK

It was laid down that the Bank s initial declared subscription should be 9,100 million dollars (3,175 million sub

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[1] Robert S McNamara former US Defence Secretary was elected President of the World Bank on April 1 1968

[2] James Morris *The Road to Huddersfield A Journey to Five Continents* p 70

[3] The Board of Governors ratified the agreement with UN in September 1947 and the UN General Assembly ratified it in November 1947

[4] *Policies and Operations of the World Bank, IFC and IDA* pp 8 9

scribed by the United States, 1,300 million by Britain 450 million by France 325 million by Canada, 225 million by Belgium 275 million by the Netherlands and 200 million by Australia) In keeping with Article 5 of the Articles of Agreement each original member has, in respect of its initial subscription 250 votes plus one additional vote for each 100 000 dollars of its initial subscription.[1] This allowed the United States to secure for itself one third of the total votes in the World Bank and thus to control its policy In connection with this state of affairs James Morris had the following to say ' the Bank is far from innocently democratic The voting power of each director depends upon the money his country has put into the Bank the US now commands some 30 per cent of the total votes, while the Republic of Panama can boast less than a quarter of one per cent What is more, by a complex and sometimes quixotic series of elective arrangements, the votes of the eighty one members have been shared out so to speak, among the eighteen executive directors Five major stockholders nominate a director to represent themselves alone—the US, France, [West] Germany, Great Britain and India The other members elect thirteen directors to represent them all, and each director casts votes of the countries that elected him '[2]

Until September 1959 the World Bank's assets came to 10,000 million dollars This sum was divided into 100,000 holdings of 100,000 dollars a piece The member countries were obliged to pay in 20 per cent of their total subscription at once and 2 per cent of it was payable in gold or US dollars The remaining 18 per cent was payable in the currency of the member country This part could be used for various operations by the World Bank, given the consent of the country concerned The portion of the subscription remaining on call (80 per cent) could be demanded by the World Bank for settling its commitments and was payable in gold, US dollars or the currency of the member

[1] *World Bank. 100 Questions and Answers*, March 1970, p 4

[2] James Morris, op cit, p 45.

country [1] This arrangement enables the World Bank to attract private capital for investment all over the world, which is usually effected by selling World Bank bonds to private investors [2]

At the end of 1958 the World Bank's commitments connected with loans and other operations came to 2,000 million dollars, which exhausted the initial subscriptions of its members and meant that the remaining 80 per cent would have to be paid in At the same time this gave those in charge of the World Bank an opportunity to bring up the question of the Bank's total assets The decision taken by the Board of Governors with regard to this question was prompted by demands on the part of Japan, the Federal Republic and Canada with regard to an increase in their share in the World Bank These countries were allowed not merely to double the overall size of their subsription but also to make an additional one By June 30, 1963 the total subscription had risen to 20,700 million dollars It should be noted that the United States, naturally, made use of its right to increase its share from 2,540 to 5,715 million dollars [3] By June 30, 1965 the total subscription had reached 21,669 million dollars (the US contribution accounted for 6,350 million, Britain's for 2,600 million and that of the FRG and France for 1,050 million each) [4] By June 30, 1968 the total subscription had reached 22,941,900,000 dollars,[5] by September 21, 1970—23,159 million,[6] by September 27, 1971—23,871 million, and by September 25, 1972—26,607 million dollars [7]

As the scope of World Bank operations widened so did

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[1] If any country resigns from the World Bank this does not release its government from direct commitment to the World Bank, i e, from subscriptions, or from other commitments including participation in the defrayment of the Bank's possible losses stemming from guarantees already secured from the Bank

[2] *Policies and Operations of the World Bank, IFC and IDA*, pp. 81 96

[3] Ibid, p 26

[4] *World Bank IDA Annual Report 1964 1965*, pp 25-26.

[5] *World Bank IDA Annual Report 1968*, p 72

[6] *World Bank IDA Annual Report 1969*, p 3, *World Bank IDA Annual Report 1970*, pp 3, 40

[7] *World Bank IDA Annual Report 1971*, p 3, *Annual Report 1971*, p 3

its net earnings which by June 30, 1963 had already reached 558 million dollars [1] By June 30, 1966 World Bank reserves had reached almost 1,000 million dollars[2] and its gross income for fiscal 1967 came to 331 million dollars[3] and that for fiscal 1968 to 356,800,000 dollars.[4] These profits of the World Bank, which functions like a typical capitalist bank, are distributed (less the sums assigned to the reserve fund) in accordance with each member's share in the total subscription. The World Bank's net profits in FY 1968 came to 170 million and in the following year to 172 million dollars.[5] In FY 1970 they came to 213 million dollars while the total reserves reached 1,329 million dollars.[6] The World Bank's net profits came to 212 million dollars and its total reserves to 1,444 million dollars in fiscal 1971.[7]

Apart from the granting and guarantee of loans at a high rate of interest (between 5 and 7 per cent) the World Bank goes in for such operations as the sale of its bonds and the guarantee of loans granted by other banks. By June 30, 1963 the bonds sold by the Bank totalled 3,980 million dollars. Seeing that by July 1, 1967 (i.e., 21 years after its inauguration) loans, credits and guarantees granted by the Bank and its branches totalled over 12,000 million dollars,[8] it is not difficult to imagine what enormous scope for financial operations the World Bank had acquired by that time. The total sum of commitments for loans, credits and subsidies granted annually by the World Bank and its branches has been in excess of 1,000 million dollars since 1965,[9] in fiscal 1969 the figure reached 1,877 million dollars

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1 *Policies and Operations of the World Bank, IFC and IDA*, p. 27.

2 *World Bank. IFC. IDA. 1966 Annual Meetings of the Board of Governors. Summary Proceedings*, p. 96.

3 *Banque Mondiale et IDA. Rapport annuel 1966 1967*, p. 48.

4 *World Bank. IDA. Annual Report 1968*, p. 70

5 *World Bank. IFC. IDA.* Address to the Board of Governors by Robert S. McNamara, President, World Bank Group, Washington, D.C., September 29, 1969, p. 3.

6 *World Bank. IDA. Annual Report 1970*, p. 3.

7 *World Bank. IDA. Annual Report 1971*, p. 3.

8 *Banque Mondiale et IDA. Rapport annuel 1966-1967*, p. 73.

9 *Policies and Operations of the World Bank, IFC and IDA*, p. 6; *Banque Mondiale et IDA. Rapport annuel 1966-1967*, p. 6

Bank floated bonds totalling 735 million dollars on the financial markets of the United States, Canada, the FRG, the Netherlands and various other countries [1] By June 30 1970 the Bank had sold securities and bonds totalling 2,350 million dollars and by September 27, 1971 the figure had risen to 3,718 million dollars [2] Originally it was planned that the 44 states who attended the Bretton Woods Conference should be the foundation members of the World Bank The Soviet Union refused to become a member for a number of reasons and primarily because of the unmistakable signs of inevitable US domination of the Bank and disagreement over a number of points in the Articles of Agreement ensuring that domination Liberia and New Zealand also refused to join it at the time [3] Poland resigned from the Bank in 1950 and Czechoslovakia followed suit at the end of 1954, in 1960 Cuba resigned, and now the World Bank has practically no socialist countries among its members [4]

The general policy pursued by the World Bank, aimed at the financial fettering of the countries which turn to it for loans, a number of inacceptable points in the Articles of Agreement, and onerous conditions attached to the loans offered, account for the reluctance of many countries either to join the Bank or turn to it for loans There was no conspicuous increase in the Bank membership until the 1960s In the first place the United States and its allies decided to admit to the Bank their former enemies in the Second World War—West Germany and Japan As for the newly independent countries of Asia and Africa, they started to join the World Bank only after two new branches had been formed—the International Development Association and the International Finance Corporation—which grant them loans and credits on more reasonable terms than the World

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[1] Including 300 million on the US financial market, bringing the total number of bonds sold on that market to 2 143 million dollars (*World Bank IDA Annual Report 1968*, pp 24 25)

[2] *World Bank IDA Annual Report 1970*, p 37, and *1971*, pp 37 39.

[3] Liberia became a member of the IMF and the World Bank and its branches in March 1962 New Zealand joined the IMF and the World Bank and its branches in August 1961

[4] With the exception of Yugoslavia and Rumania.

Bank By June 30, 1963 the World Bank membership had grown to 85, by July 1967 to 106, by July 1968 to 107, by June 1970 to 113 by September 1971 to 116 and by Sep tember 1972 to 117 [1]

3. THE WORLD BANK S POLICY AND ACTIVITIES

Section 10 of Article IV reads Political activity prohibited The Association and its officers shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member or members concerned Only economic considerations shall be relevant to their decisions and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement [2]

This principle is however not observed The policy of the World Bank shows that the monopolies of the leading capitalist countries are going out of their way to use the World Bank and its branches in order to achieve the following ends to consolidate capitalism in Europe (particularly in the first post war decade), to facilitate the expansion of private monopoly capital in all continents, to install capitalist system in the developing countries and consolidate the strongholds of imperialism there The World Bank took active steps to achieve these ends including those of a political nature

The Second World War which marked the beginning of the present stage of the general crisis of capitalism called forth tremendous forces which combated not only fascism and militarism but colonialism and racialism as well, and which championed economic and social progress Capitalism was threatened particularly in Eastern Europe where some countries broke once and for all with capitalism at the end of the war, while in West European countries the crea tion of popular fronts, more progressive governments ready to consolidate peace and eliminate war from international relations were very real possibilities at the time In the circumstances it is not surprising that the US monopolies

[1] *World Bank IDA Annual Report 1970* and *1972*, p 3
[2] *IBRD Articles of Agreement*, p 12

which had by then become the main bastion of imperialism turned their attention to Europe and started concentrating their efforts on rescuing and consolidating capitalism on that continent In this task the World Bank had a definite part to play This explains why the first loans granted by the World Bank in 1947 totalling 497 million dollars took the form of emergency aid for four countries of Western Europe It is revealing in this connection that the World Bank did not undertake any investigation of the conditions for granting loans to these West European countries as is now the practice with regard to the developing countries In 1947 the World Bank granted reconstruction loans to France the Netherlands and Denmark (or rather loans to finance their imports from the United States) without having recourse to this humiliating procedure It should be borne in mind however that these were typical loans with strings attached' insofar as they were almost entirely to be spent on American goods

4 THE WORLD BANK AND THE DEVELOPING COUNTRIES

In 1950 or thereabouts, by which time Western Europe had recovered in the sense that capitalism was no longer threatened by social upheavals, the directors of the World Bank turned their attention to the troublesome continents of Asia Africa and Latin America, in which a national liberation and anti imperialist movement had gathered considerable momentum since the war The leading capitalist countries set the World Bank the task of imposing and consolidating capitalism in those continents and protecting the interests of the monopolies there However the World Bank was not able to penetrate these countries immediately in view of the fact that the terms of its loans and the Bank's general policy provided no appropriate basis for real co-operation between the developing countries and the World Bank [1]

[1] Even the former President of the World Bank George Woods felt obliged to acknowledge the need to review these terms (Address by George Woods President of the World Bank IDA to the Board of Governors, Washington D C, September 30, 1963, p 12)

Indeed, the obtaining of loans from the World Bank and the conditions attached to them always involve an onerous and occasionally humiliating and inacceptable procedure for the developing countries. A country wishing to secure a loan has to send its representatives to the Bank's headquarters for preliminary negotiations. If the World Bank agrees to hold a further series of talks then the Bank, in its turn, sends a mission to investigate the situation obtaining in the applicant country. Officially the duties of the World Bank mission are as follows: to establish whether the given country "needs and can effectively use an addition to its investment resources", whether the country can afford to take on the borrower's obligations and whether "the economic and financial policies of the government are well adapted to the needs of the country, or whether some modification of those policies would remove obstacles to the development process or strengthen the country's balance of payments position". The mission makes a detailed analysis of the economic position of the borrowing country, including its natural resources, productive forces and its capacity to "exploit its resources and operate its productive facilities effectively". In addition the mission is also bound to ascertain how effective the government of the given country is and analyse at the same time "the economic and financial policies which are likely to be followed" in the future.[1]

Lenin in his day pointed out that in the imperialist era the enhanced role of the finance oligarchy and the major banks enabled them to exert pressure upon and submit to their influence and control not merely isolated fields of the economy but whole countries as well.[2] The World Bank, a major financial association controlled by the finance oligarchy of the main imperialist powers, relies on its capital and connections and makes wide use of these opportunities, including those for intervention in the internal affairs of other countries. The activities of these World Bank missions have provided many examples of crude

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[1] *Policies and Operations of the World Bank, IFC and IDA*, pp. 31, 35, 47.

[2] V. I. Lenin, *Collected Works*, Vol. 22, pp. 214-15.

pressure being brought to bear on the developing countries, as is acknowledged even in the Bank's official documents One report contains the following stipulation " . it is the policy of the Bank to require, as a condition of Bank financing, that the borrowing country institute measures designed to restore stability to its economy it requires concrete evidence that the government is actually taking appropriate steps to establish stability, but, once given such evidence, it is usually willing to make a loan concurrently with the execution of the measures adopted "[1]

Only if the mission's final findings are positive and the conditions of the loan put forward by the mission are accepted is a formal agreement drawn up, which, in addition to everything else, takes a very long time With regard to this aspect of the process James Morris had the following to say The Uruguayans took ten years to work out one of their loans It took four years and a half to write and adopt Brazilian legislation demanded by the Bank as a prerequisite for agreement " Noting the way the approach varies from country to country Morris admits that on the other hand the Australians raised a loan of 100 million dollars in twenty-two days flat" [2] Morris is also quite justified in noting that the World Bank's loans are certainly not cheap' [3] The World Bank used to grant loans at an annual interest rate of 5 5 to 6 5 per cent In fiscal 1970, however, the rate was put up to 7 per cent [4]

The shackling terms of these loans, the crude pressure brought to bear on the countries under investigation" by the Bank missions give rise to protests from the public, and sometimes the missions are simply sent packing' Examples are given in James Morris' book cited earlier Many Indians were furious when Black [former President of the World Bank —*V V*] himself once suggested that New Delhi was relying too heavily upon state enterprise and not enough upon the good old capitalist system The South Americans have often balked at the Bank's insistence

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[1] *Policies and Operations of the World Bank, IFC and IDA*, p 41

[2] James Morris, op cit , p 52

[3] Ibid , p 67

[4] *World Bank IDA. Annual Report 1970*, p 5

that even state-owned electric-power companies should charge high enough rates to be self-supporting.... Brazilians dislike the Bank almost as a matter of principle; and the Turks once expelled its representative from their territories."[1] In 1956 the World Bank refused India a loan for the construction of a state-owned iron and steel plant in Rourkala and the same year also refused a loan to Egypt for the construction of the Aswan Dam in view of the fact that "the Bank places special stress upon *the growth and expansion of the private sector* [my emphasis.—*V.V.*] of the economy".[2] The investigating activity of the World Bank missions does not always end in the granting of a loan. For example, in January 1966 three missions were working in Argentina simultaneously: one was "studying" the conditions in industry for the production of artificial fodder, a second terms for a loan to an electrical company, and a third the country's overall economic situation. On the refusal of the Argentinian Government to transfer the electrical company into private hands, the World Bank refused the company a loan insisting that the Bank's loans "are designed, either directly or indirectly, to stimulate private investment".[3] Again in April 1967 the World Bank refused Algeria a loan for financing the working of natural gas deposits, advising the Algerian Government to start negotiating with capitalist private firms for a loan: that particular decision by the Bank was taken in the interests of foreign private companies specialising in the extraction of oil and gas.

It is precisely political considerations that determine the World Bank's attitudes to the developing countries and their requests. This can be illustrated with the following group of countries: Thailand, Cambodia, Laos and Burma. Prior to March 1, 1965 the World Bank granted Thailand loans amounting to 203 million and Burma loans amounting to 33 million dollars, while Cambodia and Laos did not receive a single loan. For both the World Bank and the United States Thailand is the most "congenial" country

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[1] James Morris, op. cit., pp. 64-65.

[2] *Policies and Operations of the Wold Bank, IFC and IDA*, p. 43.

[3] Ibid.

in that part of the world. "An American economic mission, visiting Siam a year or two ago, pronounced her the most promising of all Asian countries for foreign investment",[1] noted James Morris in his book This explains why the World Bank has already granted Thailand 13 loans totalling over 200 million dollars. An important factor in Thailand's favour is that she is an active member of the SEATO bloc, and therefore the World Bank, gives support first and foremost to Thailand, namely, the only Asian country which actively supported SEATO. In 1969-70 of a total 435,200,000 dollars loaned to Asian countries by the World Bank, 183 million went to the Chiang Kai-shek clique, Israel, the Seoul régime and Thailand, in other words nearly a half of all loans the World Bank granted to Asia.[2] The following facts also provide eloquent illustration of the World Bank's political complexion: fiscal 1964 was a year when a number of international organisations decided to boycott Portugal as a sign that they condemned her blatantly colonial policies, while the World Bank granted its *first* two loans to Portugal that same year.[3] In November 1967 the World Bank refused Ceylon a loan on completion of its mission's investigation, the latter having demanded that as a condition for the loan the Ceylonese Government consolidate the private sector of its economy at the expense of the public sector, a condition rejected by the Ceylonese Government.[4] In 1969 the World Bank refused Costa Rica a loan for building roads unless the government accepted the Bank's stipulations with regard to the country's taxation policy. This led to a conflict between Fernández, the President of Costa Rica, and the directors of the World Bank. During the press conference held by Fernández in February 1969 the President quoted documentary evidence demonstrating the humiliating terms put forward by the World Bank and publicly turned them down.[5] In mid-October 1969 the World Bank refused Uruguay a loan for a hydroelectric

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[1] James Morris, op. cit., p. 122.
[2] *World Bank, IDA, Annual Report 1970*, p. 8.
[3] *World Bank IDA, Annual Report 1963-1964*, p. 5.
[4] *Ceylon Daily News*, November 11, 1967.
[5] See *La Republica*, February 11, 1969.

project insisting on the liquidation of the state sector of that country's economy.

The World Bank turns down without fail requests for loans for the creation or extension of state-owned enterprises except in extremely rare cases when "...private capital is not available and if it is satisfied, after thorough examination, that the government's participation will be compatible with efficient operation and will not have an unduly deterrent effect upon the expansion of private initiative and enterprise".[1] In the second half of September 1968 a World Bank mission visited Argentina to discuss terms for a loan to finance the construction of the Chocon Cerros Colorados hydroelectric power complex. One of the terms the mission stipulated to the Argentinian Government was that Argentina should drop the so-called Europa Plan, providing for Argentina's purchase of arms in Europe and the development of her own arms production after the purchase of patents for various types of weaponry from France, Switzerland and Italy. This step had caused alarm in the US military-industrial circles because it would have meant the loss of one of her major markets for arms.[2] It was therefore no coincidence that when McNamara came to Buenos Aires in October 1968, the local press referred to him as the "Pentagon emissary" who hoped to persuade the Argentinian Government to renounce the Europa Plan.

It was also for purely political reasons that the World Bank provided financial support for the implementation of the Mecong River Development Project,[3] thus demonstrating its solidarity with the Saigon régime and its readiness to support it.

Choosing to "forget" the Articles of Agreement prohibiting political activity, the directors of the World Bank often take upon themselves the role of "mediator" in various disputes: for example in 1956 they actively intervened in the Suez crisis resulting from the British-Franco-Israeli

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[1] *Policies and Operations of the World Bank, IFC and IDA*, p. 37.

[2] According to expert estimates the USA made over 1,800 million dollars on sale of arms to Argentina during the period 1957-69 alone.

[3] In which the governments of Laos, Cambodia, Thailand and the Saigon régime participate.

aggression against Egypt This intervention cannot be accounted solely by the earlier decision of the World Bank to grant the Suez Canal company a loan of 56,600,000 dollars for deepening the Canal and for the reconstruction of Port Said The matter was that close on 19,000 ships carrying over 180 million tons of cargo (two thirds of which was Middle East oil) used the Suez Canal annually [1] In that particular situation the World Bank was concerned first and foremost with protecting the interests of British and American oil companies It is no mere chance that the role of "mediator" was assigned to William Iliff, Vice-President of the World Bank, and that his assistant for that assignment was George Woods, who in his time had been Chairman of the First Boston Corporation This "mediation mission" ended with the conclusion of an agreement according to which Egypt was obliged to pay compensation to the foreign companies Eugene Black of the USA, then President of the World Bank, later helped the British in 1959 impose a further commitment on Egypt for the payment of compensation to the Suez Canal Company's shareholders (after it had been nationalised), in return for which the British Government agreed to release part of the sterling reserves belonging to Egypt [2] The World Bank played a significant part in the "reconciliation" between Belgium and her former colony, the Congo For that task the mediator was Robert McNamara, who in February 1969 reached an agreement with Mobutu concerning the extent of the compensation to be paid to the former Union Miniere company which the Democratic Republic of the Congo had nationalised on January 1, 1967

The World Bank also sends out missions in connection with projects for 'technical aid" or 'economic planning" in the developing countries Since 1949 the World Bank has used missions of this sort to investigate" Colombia, Nicaragua, Haiti, Guatemala, Honduras, Iraq, Ceylon, Jamaica, Guyana, Kenya, Nigeria, Malaya, Sudan, Jordan, Panama, Thailand, Tunisia, the Philippines, Tanzania,

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[1] *The World Bank Group in Africa. A Summary of Activities*, Washington, D C , August 1963, p 71

[2] Ibid , p. 72

Venezuela, Uganda, Chile, Botswana, the Central African Republic, Ethiopia, the Ivory Coast, Pakistan, Turkey, Ecuador and other countries The World Bank missions have not only imposed their 'advice" on these countries, but agents of the monopolies in the countries concerned have put their recommendations" into practice

In its efforts to secure advantageous conditions for the export of private capital to the developing countries, the World Bank undertakes to finance a project only in cases where there are no sources of private capital available Moreover, the World Bank never finances completely any project or programme, making sure that private banks provide part of the loans and promoting thereby the latter s penetration of the developing countries and guaranteeing these banks' participation and subsequent profits On May 8, 1964, for instance, the World Bank granted Ethiopia a loan of 23,500 000 dollars for a period of 25 years at an annual rate of interest of 5 5 per cent This loan involved the participation of the Irving Trust Company the Chase Manhattan Bank, the Kommerzbank AG, the First Pennsylvania Banking and Trust Company and other private banks [1] Or again on March 12, 1964 the World Bank granted Nigeria a loan totalling 30 million dollars for a period of 20 years at an annual rate of interest of 5 5 per cent This loan involved the participation of the Bankers' Trust Company, the Chase Manhattan Bank, the United California Bank, the Bank of America, the National Trust and Savings Association, the First National Bank of Chicago and other private banks On June 10, 1964 the World Bank granted Iran a loan of 18 500,000 dollars for 20 years at an annual rate of interest of 5 5 per cent, a loan which involved the participation of the Chase Manhattan Bank, the First National City Bank, the Mellon National Bank and Trust Company and other private banks [2] Almost all the Bank's loans are of a similar character, facilitating the participation of private banking capital from the leading capitalist countries in financial exploitation of the developing countries, its own capital serving as a guarantee of that participation and high profits

[1] *World Bank IDA. Annual Report 1963 1964*, p 23
[2] Ibid , pp 26, 32.

The high rate of interest on World Bank loans, the complex procedure before they can be granted and the excessively onerous often utterly inacceptable, terms attached to these loans, including political terms, have made them inaccessible for a number of developing countries The Bank has been implementing the policies of American monopolies and banks too openly It is not surprising that in the fifties and sixties many countries came to look on the World Bank as a tool of Western diplomacy' [1] A certain amount of inconvenience for the directors of the World Bank resulted from the fact that the newly independent states, for the reason indicated above, have shown a certain reluctance to join the World Bank It was in order to solve the problem of attracting the participation of more developing countries that the International Finance Corporation (IFC) and the International Development Association (IDA) were set up

5 THE INAUGURATION OF THE INTERNATIONAL FINANCE CORPORATION AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION

The *International Finance Corporation* was established in 1956 at the initiative of the United States It was designed 'to supplement the activities of the Bank by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas" [2] In other words the IFC was to serve the same ends as the Bank, it was to consolidate capitalist private enterprise Unlike the Bank, the IFC provides loans without guarantees from the borrower country, but only in cases when no sources of private finance are available The World Bank on the other hand grants loans to private companies, only when the government concerned guarantees that the loans will be repaid In a number of cases, however, private companies are unable to provide such guarantees Therefore, the fact that the IFC does not demand and even does not accept

[1] James Morris op cit, p 2_6
[2] *Policies and Operations of the World Bank, IFC and IDA*, p 97.

character and on an average does not exceed 1,300,000 dollars The Corporation's main function is to mobilise foreign private investment The IFC can grant loans in any currency although they are always calculated in dollars The rates of interest on IFC loans are considerably lower than those to which World Bank loans are subject, starting at one per cent, they are granted for terms varying between 5 and 15 years Between the time it was founded and June 30, 1963 the IFC participated in 59 loans to 24 countries and the total sum involved was 90,600,000 dollars In FY 1965 the IFC granted further loans totalling 50 million dollars In FY 1966 the IFC commitments amounted to 35,600,000 dollars However, the total extent of these operations, i e, including the share of other banks and firms in the loans, over the said period can be estimated at close on 500 million dollars [1] By the end of 1965 the directors of the World Bank had obtained the consent of the majority of its members for the introduction of the necessary amendments to the Articles of Agreement making it possible for the Bank to add about 400 million dollars to the IFC's loan resources This also gave the IFC still greater opportunity for mobilising foreign private capital In October 1966 the World Bank gave IFC another loan amounting to 100 million dollars In fiscal 1967 the IFC participated in 11 loans,[2] its own share coming to a total of 49,100,000 dollars. In fiscal 1968 the IFC made commitments totalling 50,700,000 dollars,[3] and as in previous years the IFC invited the participation of foreign private companies and banks [4] The scope of the IFC s operations connected with the mobilisation of foreign private capital also widened considerably.

[1] *Policies and Operations of the World Bank, IFC and IDA*, p 61

[2] To Brazil, Colombia India Nigeria, Kenya, Pakistan, Peru, the Philippines, Senegal, Spain and Turkey

[3] To South Korea, Kenya, Mauritania, Malaysia, Mexico, Venezuela, Peru, Brazil Colombia, and Nicaragua, bringing its total commitments to 271,800 000 dollars (in 39 countries) IFC's cumulative total of funds available on June 30, 1968 came to 3.0 million dollars (*IFC, a Member of the World Bank Group Annual Report 1968*, p 5)

[4] Between 1956 and 1968 81 foreign banks invested in IFC transactions on 203 occasions, 92 of these investments coming from North America and 66 from European banks and companies (*IFC, a Member of the World Bank Group Annual Report 1968*, p 7)

in 1968/69 alone these accounted for 500 million dollars, although the IFC s own contribution only came to 93 million dollars

The less onerous financial terms of these loans naturally to a certain extent encouraged the developing countries to join the IFC However, a compulsory condition for entry to IFC is membership of the World Bank On September 30, 1963 75 countries were members of the IFC and by July 1968 this number had risen to 87 Thus by setting up the IFC and IDA, those in chief of the World Bank had succeeded in drawing many developing countries into its membership

The IFC represents a still more important instrument of World Bank policy in another sphere In 1962 the World Bank and the IFC started setting up capitalist financial institutions in the developing countries, that is private finance corporations for promoting industrial development, also designed to implant and consolidate capitalism in these countries By the middle of 1963 the World Bank and IFC had provided loans to this end totalling 224 million dollars With substantial support from the World Bank and the IFC corporations of this sort were set up or expanded in Pakistan, Thailand, Tunisia, Turkey, Chile, Colombia, India, Iran, Nigeria, Ceylon, the Philippines and various other countries In FY 1964 alone the World Bank and the IFC provided loans for such corporations totalling 50 million dollars and in 1964/65, 24 million In 1967/68 similar private corporations were set up in South Korea [1] and Venezuela [2] Typically enough the World Bank makes sure that these corporations are not subjected to any control by the governments of the countries concerned for example, when in December 1966 the Bank was granting a small loan to the Ceylon corporation set up to finance economic development projects, the World Bank stipulated as a condition of the loan that the corporation cease to be subject

[1] Private banks from the United States, Italy, Britain, the FRG and Japan helped set up this corporation and they own 25 per cent of the shares

[2] US and French banks participated in the establishment of the Venezuelan Sociedad Financiera (*IFC Annual Report 1968*, pp 12 19, 23)

to government control The World Bank even demanded that the part of its shares which then belonged to the Ceylon Government be sold to the IFC

In fiscal 1970 the IFC continued to provide capital for the establishment and expansion of private finance corporations in the developing countries through its purchase of these corporations' shares. In the course of that year the IFC increased its existing share or secured a share in the Congolese Society for Financial Development (SOCOFIDE) (800,000 dollars),[1] Colombia's private Development Corporation (100 000 dollars), granted a 10-million dollar loan to the international Adela Investment Company and purchased shares in Tunisia's Finance Company totalling 600,000 dollars On these operations alone IFC spent a total of 13,500,000 dollars in the given fiscal year. The World Bank, the IFC and IDA together invested a total of 229,500,000 dollars in private finance corporations

The loans and other investments made by the IFC since its establishment in 1956 up until June 30, 1970, totalled 476,500,000 dollars This figure grows to over 2,500 million after the addition of counterpart funds (involving private foreign capital) amounting to 2,132,700,000 dollars[2] The IFC stepped up its activities in particular in FY 1970 operations transacted out of its own funds that year came to a total of 111,800,000 dollars and the cumulative total of its investments involving foreign private capital from the leading imperialist powers came to almost 492,700,000 dollars That same year the Bank made a 200 million guaranteed loan to IFC to replenish the Corporation's loan funds.

Another branch of the World Bank, the International Development Association, played a still more important part in encouraging the developing countries to join the Bank The idea of setting up IDA was also first put forward by the United States The Bank's Board of Governors adopted the necessary resolution in 1959 The Articles of Agreement relating to IDA came into effect on September 24, 1960

[1] The Society was financed by a number of local companies the Congolese Government (Kinshasa) and banks and companies from Belgium, France, the FRG, Italy, Japan, and the United States, as well as the IFC and IDA

[2] *World Bank. IDA Annual Report 1970*, pp 23 24.

According to these Articles of Agreement only World Bank members could become members of IDA IDA members fall into two parts the industrially developed countries listed in Part I (which originally consisted of 17 contries)[1] and all other countries making up Part II Each member of IDA has 500 votes plus one vote for every 5,000 dollars of its initial subscription which was apportioned as follows the initial subscription to be paid by the 17 countries listed in Part I came to 763 million dollars[2] or over 76 per cent of the total initial subscription, of which the USA subscribed 320 million dollars or 32 per cent, the subscription for countries listed in Part II came to 237 million dollars or less than 24 per cent of the total initial subscription This meant that the US subscription was almost one and a half times the total subscription of the whole of IDA s Part II, which consisted of close on 50 countries

How was it that the directors of the World Bank managed to attract the developing countries to join IDA and hence the Bank itself? Part of the answer can be found in the IDA Articles of Agreement, according to which the member countries listed in Part II were only required to pay ten per cent of their initial subscription in gold or freely convertible currency while the remaining ninety per cent could be paid in the currency of the subscribing member[3] As for the countries listed in Part I they were required to pay the whole of their subscription in gold or freely convertible currency A second attraction was the stipulation of less onerous terms for credits granted by the Association[4] which made IDA loans far less onerous than those granted by

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[1] The initial members of IDA in this group were Australia Austria, Belgium Canada, Denmark Finland the FRG France Italy Japan Luxemburg, the Netherlands Norway Sweden the Republic of South Africa Britain and the USA Later Kuwait was to join this group

[2] *IDA Articles of Agreement and Accompanying Report of the Executive Directors of the IBRD*, Washington D C 1962 p 29

[3] Ibid pp 4-5

[4] IDA grants credits for terms of up to 50 years and involving no compulsory payments during the first ten years payments at an annual rate of interest of one per cent for the next ten years and payments at an annual rate of interest of 3 per cent for the remaining 30 years (*Policies and Operations of the World Bank IFC and IDA*, p 107)

the World Bank Many developing countries would like to join IDA without having to join the World Bank However, the founders of IDA made these concessions precisely in order to oblige these countries to join the World Bank On June 30, 1963 the number of IDA members had reached 76 and the subscribed capital 969 million dollars, of which 765 million were in freely convertible currency By June 30, 1967 IDA numbered 97 states among its members and the subscribed capital, including supplementary resources, came to 1 768 million dollars, 1,524 million of which had been subscribed by the countries listed in Part I By June 30, 1969 IDA membership had grown to 102 and by June 30, 1970 to 105, while the total subscription had reached 1,014 million dollars or 3,064 million taking into account supplementary resources and special contributions IDA had 107 members by September 27, 1971 [1]

Not all Articles of Agreement are in the interests of the developing countries Many of them are identical repetitions of the Articles of Agreement drawn up for the World Bank agencies This applies, for example, to Article V which states that IDA only grants credits to its members [2] As noted earlier the point behind this ruling was to compel the developing countries to join the World Bank Thus it is not surprising that after 1960, that is, after the establishment of IDA, the majority of the developing countries joined the World Bank In 1963 alone nineteen developing countries joined the World Bank and IDA [3]

Like the World Bank, IDA also refuses to grant credits if it considers that a country applying to it for a loan could receive such a loan from private sources Like the World Bank, IDA sends missions to investigate potential borrower countries before granting a loan These missions insist on various terms for a loan, including the acceptance on the part of the borrower to buy the equipment required for the project concerned only in one specific country When

[1] *World Bank IDA Annual Report 1969, 1970, 1971*, p 3

[2] See *IDA Articles of Agreement*

[3] Algeria, Burundi Cameroun the Central African Republic, Chad Congo (Brazzaville) Zaire, Dahomey Gabon Guinea Kenya Laos, Madagascar, Mali, Mauritania, Ruanda, Trinidad, Tobago and Uganda

granting credits IDA demands that the borrower country spend them only on projects agreed on in advance in other words the borrower country is not free to use the money received in the form of IDA credits as it thinks fit

IDA started functioning in November 1960 and by the end of June 1963 had granted 39 credits to 18 countries which amounted to 495 million dollars, concentrating its attention on India, the largest developing country in Asia During those three years IDA granted India credits totalling 300 million dollars Other countries in that period received relatively little financial support from IDA [1] The geographical distribution of IDA credits in 1965 was as follows

Table 9

IDA Credits by Area up until March 31 1965[2]

	mill dollars	per cent of total
Total	1,046 1	100
Asia and the Middle East	776 3	74 2
Latin America	100 4	9 6
Europe	55 7	5 3
Africa	113 7	10 9

In 1962 the IDA Board of Governors adopted a decision to increase IDA s funds by 750 million dollars by the end of 1966 Contributions for this supplementary subscription were to be three annual payments of 250 million each This supplementary subscription (apart from the shares of Belgium and Luxemburg who had in the meantime applied to IDA for membership) officially did not secure subscribers any additional votes unlike the initial subscription, although there is no doubt that it consolidated the domination of the Western countries in IDA particularly that of the United States, whose share in the subscription by then had reached almost 30 per cent In this respect it is also significant that supplementary subscriptions had only been made by the IDA members listed in Part I

[1] African countries taken as a whole received 34 million other countries in Asia and the Middle East received 64 million European countries 27 million and Latin American countries 70 million dollars

[2] *L Economie* No 958 April 30, 1965 p 12

Total credits granted by IDA since its establishment had reached 1,694 2 million dollars by June 30, 1967 and 1,806 million by April 30, 1968 [1] In March 1968 the directors of the World Bank and IDA took steps to effect a second major increase in IDA's financial resources George Woods, then President of the World Bank and IDA, proposed that the capital stock of IDA be replenished by 1,200 million dollars payable by the countries listed in Part I in three instalments of 400 million dollars each The first payment would be made by June 30, 1969 so that IDA could use the capital of the replenishment before June 30, 1970 Woods made a reservation[2] to the effect that the United States, in view of its balance of payments difficulties, would only pay that portion of its supplementary contribution needed to finance procurement of commodities and equipment within the United States, for the three years ending June 30, 1971 This increase in IDA's overall capital enabled it in fiscal 1969 to grant credits worth a further 400 million dollars thus bringing up the total of its credits to 2,216,600,000 dollars by June 30, 1969 [3] In fiscal 1970 IDA granted a further 56 credits totalling 606 million dollars and in FY 1971 53 totalling 584 million dollars [4] In May 1970 the leading members of the World Bank and IDA began negotiations concerning the next increase in IDA funds, this time an increase of 3,000 million (to be paid in three instalments over a period of three years) The US announced its willingness to make further payments in the period 1971-73 totalling 1,200 million dollars (in annual instalments of 400 million) which provided yet another confirmation of that country's tendency to gradually cut down on bilateral aid and instead extend its external credit operations via 'more attractive" multilateral channels

Despite the ruling in the IDA Articles of Agreement that its credits should have no "strings attached" this is seldom observed, as stands out particularly clearly in the case of the United States which uses IDA to secure markets

[1] *World Bank IDA Annual Report 1968*, p 95
[2] *IDA Press Release* No 2168 January 19, 1968
[3] *World Bank IDA Annual Report 1969*, p 29
[4] *World Bank IDA Annual Report 1970*, and *1971*.

for its commodities. In 1966 the United States paid into IDA 104 million dollars, of which 85 million, distributed in the form of IDA credits, were spent in the United States, in other words, over 30 per cent of the total sum (258 million) of IDA credits for 1965/66. It was noted above that US further contributions to IDA were accompanied by a provision that they would be used "to finance procurement within the United States".

Another important development is the recent involvement of IDA, along with the World Bank and the IFC, in the financing of new private financial corporations in the developing countries or the financial consolidation of existing ones. Between its inauguration and June 30, 1970 capital investments of this type made by the World Bank in conjunction with IDA came to a total of a thousand million dollars. As a result of this activity on the part of the World Bank and IDA 30 such corporations in the developing countries were set up or consolidated. The World Bank and IDA's investments to these ends in fiscal 1970 alone came to 216 million dollars. Loans and credits of this type were received by private corporations and banks in Brazil, Zaire, Ceylon, Greece, India, Israel, Morocco, Pakistan, the Philippines, and Tunisia (a number of these loans also involved IFC participation).[1]

6. THE WORLD BANK AND THE DEVELOPING COUNTRIES' INDUSTRIALISATION PROBLEMS

While spreading capitalism—which as Lenin pointed out grows "with the greatest rapidity in the colonies and in overseas countries"[2]—to the developing countries the World Bank, while promoting industrial development in those countries, goes out of its way to increase their economic and financial dependence on *foreign monopolies*. *Officially the* World Bank supports industrialisation in these countries (and not merely that of the consumer industry variety), but only allows it to achieve a scale that does not represent

[1] *World Bank. IDA. Annual Report 1970*, p. 22.
[2] V. I. Lenin, *Collected Works*, Vol. 22, p. 274.

any threat to the position of monopoly capital in the country concerned This policy means that the World Bank and its branches impede the consolidation of the state sector in the economy of those countries which is less vulnerable to pressure on the part of foreign private capital By obstructing the development of industrial enterprises producing the means of production the World Bank holds back the economic development of these countries, and this policy reflects one of the main trends of neocolonialism, the retention of the developing countries for as long as possible as sources of raw materials for the imperialist powers Although the scale of the World Bank's operations grows from year to year the policy of its directors remains unchanged on the average, more than 70 per cent of its loans are directed towards setting up the infrastructure, i e , on the construction of roads and ports, which are vital prerequisites for the advantageous investment of foreign private capital

The geographical distribution of World Bank loans and IDA credits shows that almost 70 per cent of all loans and credits granted for instance in fiscal 1965 went to those developing countries which the Bank's directors have made their main investment sphere for their own capital and capital of foreign monopolies The same picture is presented by the geographical distribution of World Bank loans and IDA credits in fiscal 1969, 1970 and 1971 [1] This is also reflected in the purposes for which World Bank loans and IDA credits were granted between 1960 and June 30, 1964 According to official figures[2] over this period the World Bank and IDA granted loans and credits amounting to less than 1,000 million dollars, i e , about 15 per cent of the total for developing the private sector of industry in the developing countries World Bank loans and IDA credits granted for the development of heavy industry—for the most part the metallurgical industry—came to only 334 million dollars for the whole of the above period *During the said period the World Bank and IDA did not grant a single loan for the development of industrial enterprises producing the means of production* Of the thousand million dollars

[1] *World Bank IDA Annual Report 1969*, p 83 *1970* and *1971*, p. 8
[2] *World Bank IDA Annual Report 1963 1964*, p 20

granted in loans and credits to all countries in Africa over the indicated period only 140 million were allocated to industry, and over 90 per cent of that sum went on loans and credits to foreign companies operating in Africa The whole of Latin America received only 86,600,000 dollars in loans and credits from the World Bank and IDA for industrial development

The figures below show the allocation by purpose of World Bank loans and IDA credits to the developing countries of Africa, Asia and Latin America [1] World Bank loans and IDA credits to African countries for developing transport and the power industry accounted for over 75 per cent of all loans and credits granted to countries of that continent Only 120 million dollars were allocated to industry, or a little over 10 per cent Africa provides the most blatant example of the "concern" shown by the directors of the World Bank to set up the "infrastructure", namely the vital conditions for the penetration of that continent by foreign private capital and the export from it of cheap raw materials and agricultural produce, that have little bearing on true industrialisation and of course do nothing to help the young independent states of Africa gain genuine independence Nor has the picture really changed at all since: for instance of the total 163,700,000 dollars granted in loans to the East African Economic Community in fiscal 1970 110 million dollars or 67 per cent went on the extension of road and communications networks and port facilities A similar policy is pursued by IDA: of the 188,500,000 dollars granted to the same countries in credits during FY 1970 close on 100 million dollars went on setting up the "infrastructure".[2]

A similar state of affairs is found in Asia, where the World Bank until recently at least had been concentrating its activities Half the loans it granted to that continent were for the extension of transport and communications

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[1] *The World Bank Group in Africa A Summary of Activities*, p 2, *The World Bank Group in Asia A Summary of Activities*, Washington, D C, September 1963, p 2, *The World Bank Group in the Americas A Summary of Activities*, Washington, D C, June 1963, p 3

[2] *World Bank IDA Annual Report 1970*, pp 10-24.

networks and only about 20 per cent was allocated to industry; moreover, of the total loans and credits granted to all Asian countries for industrial development over the period up to June 30, 1964 (32 totalling 574 million dollars) 11 amounting to 300 million dollars went to India (including 107,500,000 dollars to the Tata Iron and Steel Company).[1] As for the Latin American countries the contrast is still more conspicuous: a mere 52 million dollars, or about 3 per cent, of the total loans and credits granted to the countries of that continent by the World Bank and IDA over the same period were allocated to industrial development

Figures illustrating the ends to which World Bank loans and IDA credits were devoted during fiscal 1968 also point home the main goals of World Bank policy in this sphere: of a total 953,500,000 dollars, provided in the form of loans and credits, over 700 million, or almost 80 per cent, was earmarked for setting up infrastructure, for agricultural development and irrigation, while only 191,500,000 dollars,[2] or less than 20 per cent, was set aside for industrial development and that mainly in the private sector. Thus under the banner of "industrialisation" the World Bank was in fact going out of its way to create conditions in the developing countries that would secure advantageous capital investment spheres for private capital. At the same time by consolidating the private sector in the economies of these countries, including that in industry while making sure that it did not constitute any threat to the position of foreign capital, the World Bank is binding these countries to the world capitalist system.

Despite the repeated announcements by the World Bank directors that they intend to review their policy, including the schemes for which the Bank and its branches set aside their loans and credits, no essential changes resulted.

[1] *The World Bank Group in Asia. A Summary of Activities*, pp. 19, 29.

[2] Of that 191,500,000 dollars 159 million consisted of loans granted to 14 private corporations for industrial development in Ceylon, Colombia, Greece, India, Iran, Israel, South Korea, Pakistan, Tunisia and Taiwan (*World Bank, IDA. Annual Report 1968*, p. 15).

Thus World Bank policy reflects its reluctance to grant effective assistance to the countries of Asia, Africa and Latin America for the development of their own industries, in particular industrial enterprises producing the means of production. In this respect the World Bank does not differ in the slightest from the monopolies of the imperialist powers who invest their capital in the developing countries for one reason and one reason only, namely to reap the maximum possible profits. This is why they invest above all in extractive industries, which yield the largest profits (such as oil). A report drawn up by the Pearson Commission points out: "Much of this investment has been in extractive industries of the total cumulative direct investment in developing countries, estimated at about $30 billion in 1966, 40 per cent was in the petroleum sector, and a further 9 per cent in mining and smelting; only 27 per cent was in manufacturing, and 24 per cent in utilities and other services."[1] Meanwhile these countries desperately need to develop their own industry and in particular the manufacturing industries. Suffice it to mention for instance that production of manufactured goods in Latin America accounts for only 15-30 per cent of the whole GNP. In Asia and Africa the share of these commodities in the GNP is still smaller—15-20 per cent in Asia and under 10 per cent in Africa.

The World Bank's policy in this respect did not change in fiscal 1971. World Bank loans and IDA credits were allocated as follows: 419,100,000 dollars for agriculture, 107,900,000 dollars for education, 195,500,000 dollars for telecommunications, 500,900,000 dollars for electric power, 651,100,000 dollars for transportation and 32,000,000 dollars for industry, 253,000,000 dollars for World Bank loans to private finance companies, 188,700,000 dollars for installing water-supply and sewerage systems, 10,000,000 dollars for expanding tourism and 114,400,000 dollars for general development and technical assistance.[2] Thus World Bank loans for that year that were allocated to industry (a single

[1] *Partners in Development* p. 100.
[2] *World Bank. IDA. Annual Report 1971*, pp. 10-11.

32 000 000 dollar loan made to Botswana for the expansion of the infrastructure of copper and nickel deposits) accounted for just over 1 per cent of the total loans and credits granted by the World Bank and IDA (2,480,400,000 dollars) As in previous years over 53 per cent of World Bank loans and IDA credits went on road construction, expanding communications and power networks, i e , on setting up the infrastructure Of course, setting up the infrastructure is an important part of any industrialisation drive However, the crux of the matter is the motives for which foreign capital including the World Bank is helping to set these up in the developing countries The main motive in this case is to create favourable preinvestment conditions for private foreign capital, secure spheres of investment for it and, of course, guarantee stable high profits As pointed out earlier the monopolies and banks, including the World Bank and its branches, do not take into account at all the actual needs of the developing countries or adapt their policy to satisfy these needs If World Bank policy is evaluated from this point of view, the only valid one, then it is clear that its aid does little to really promote industrialisation in the developing countries

7 WORLD BANK POLICY WITH REGARD TO INDIA AND PAKISTAN

Since India and Pakistan are two of the major developing countries in Asia they are important in connection with the policies pursued by the leaders of the World Bank India s stand on a number of international problems, including her policy of non alignment, has forced the imperialist circles to reckon with her more than with any other developing country Significant in this respect are the friendly relations with the USSR and the other socialist countries which India has established and which found expression in the Treaty for Peace, Friendship and Co-operation between India and the USSR that was signed in Delhi on August 9, 1971 This has resulted in the World Bank adopting special tactics in relation to India and to some extent Pakistan

India is the first of the developing countries whose repre

sentative on the Board of Directors of the World Bank is not elected but appointed by the Indian Government. India also occupies a special position as regards the number and extent of the loans and credits she is granted: in the period since the World Bank, IDA and the IFC were founded and up until the end of June 1963 India received 31 loans from the World Bank totalling 847 million dollars, 13 credits from IDA totalling 300 million dollars and a number of loans from the IFC totalling approximately 2.5 million dollars. Thus the three organisations during this period have granted India loans and credits totalling 1,150 million dollars. This figure had risen to 1,400 million dollars by the beginning of 1965. These World Bank loans were allocated as follows: 13 loans (447,410,000 dollars) for developing transportation, 5 loans (81,121,000 dollars) for power, 11 loans (301,133,000 dollars) for industry, one loan (7,204,000 dollars) for agriculture and one multipurpose loan (10,500,000 dollars).[1] Despite the special attention the World Bank pays to India, its overall policy in relation to that country is once again to concentrate on the creation of the infrastructure—over 500 million dollars or almost 50 per cent of all loans and credits is set aside for transport and power. Three hundred million or close on 25 per cent was set aside for developing industry (in the private sector).

In fiscal 1966 and 1967 India received loans and credits from the World Bank and its branches totalling almost 500 million dollars,[2] and by June 30, 1967 its commitments to the World Bank, IDA and the IFC had reached close on 2,000 million dollars.[3] India's enormous external debts place a heavy burden on the country's finances and drain its reserves of foreign exchange. In fiscal 1969 alone India's payments on these debts reached 518 million dollars and in 1969/70 they came to 550 million dollars. That same year India received one loan from the World Bank (40 million) and five credits from IDA (227.5 million).[4]

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[1] *The World Bank Group in Asia. A Summary of Activities*, p. 19

[2] See *Banque Mondiale et IDA. Rapport annuel 1966-1967.*

[3] While her overall external debt reached 6,900 million.

[4] *World Bank, IDA. Annual Report 1970*, p. 8.

The largest undertaking organised by the World Bank in India was the Indus Basin Development Fund. The administrative division of the Indian subcontinent after independence gave rise to many problems which were later to cause tension in relations between India and Pakistan One of these problems was the irrigation of the Indus valley part of which is situated in each of the two countries. The directors of the World Bank decided to take upon themselves the role of "mediator", however, only after America's Tennessee Valley Authority had started reconnoitring the project, in which it had announced its readiness to participate back in 1951. Meanwhile rivalry between foreign banks and firms and also tense relations between India and Pakistan[1] made it impossible to arrange terms for some time. Only after agreement had been reached between the United States, the Federal Republic of Germany, Britain, Canada, Australia and New Zealand with regard to their respective shares in the project was a contract finally signed in 1960. India and Pakistan also made their appropriate contributions. The total cost of the project involving the construction of power schemes and irrigation installations to improve water supply, irrigation and the electrification of the Indus valley was estimated at 1,000 million dollars, of which only 200 million was to be provided by the World Bank. The remaining 800 million was to take the form of loans from the governments of the USA, Australia, Britain, Canada, the FRG and New Zealand mobilised by the World Bank which effected overall supervision of the Fund. The total sum provided by the above-mentioned participants came to 895 million, including 174 million dollars contributed by India herself and 80 million dollars granted to India in the form of an ordinary World Bank loan. However, this proved inadequate for the enormous project, and so new talks were held and a new agreement signed in 1964 according to which the parties concerned agreed to further another 315 million towards the project The World Bank's share in this second

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[1] In the summer of 1958 this area suffered from severe drought which also aggravated water-supply and irrigation problems throughout the subcontinent area.

sum was 58 million dollars, which meant all together the Bank had contributed only 258 million, regarding its prime task to be making sure that banks from the leading capitalist countries take part in the scheme This illustrates once more how the World Bank prefers to create favourable preinvestment conditions for the penetration of foreign state and private capital while only partly financing subsequent projects with its own loans

The second major project in the subcontinent in which the World Bank is participating is the setting up under its auspices of a consortium for aid to India in the implementation of her third and subsequent five year plans The United States, Britain, the FRG, Belgium, Canada, the Netherlands, France, Italy, Denmark, Austria and Japan are all represented on this consortium together with the World Bank and IDA Each of these countries and the two organisations promised to grant India for the five years concerned loans and credits equivalent to five thousand million dollars Again in this undertaking the role of the World Bank and IDA was confined to ensuring favourable conditions for the penetration of India by foreign capital In fiscal 1964, for instance, the consortium granted India loans and credits totalling 1,052 million dollars In fiscal 1965 the consortium decided to provide loans and credits totalling 1 028 million dollars, the World Bank and IDA share constituting 245 million dollars In fiscal 1966 and 1967 the consortium granted India loans and credits averaging close on 900 million a year in both cases the World Bank and IDA together contributed 245 million In fiscal 1969 India managed to secure a total of 642 million in loans from all members of the consortium, who promised India a similar sum for the following year, according to an announcement made by India's Ministry of Finance Enhanced interest shown in India explains also the larger loans for industrial development granted to this particular country Yet, with regard to India as well, the World Bank saw its main task to lie in consolidating the private sector and of the strongholds of foreign capital in that sector This explains the World Bank's readiness to grant two private Indian metallurgical companies loans totalling 157 million dollars in 1962/63 and 60 million dollars in 1966 It was with

similar ends in view that IDA granted a credit of 90 million dollars for expanding production of commercial vehicles and some industrial equipment in June 1964,[1] and the IFC granted several loans to private Indian companies[2]

Despite India s special status' India was not able to avoid the humiliating procedure of investigation by World Bank missions In April 1966 the World Bank conducted a special investigation and drew up critical reports on India s and Pakistan s economic development plans on the basis of which the World Bank was to decide whether it would grant further economic assistance to these two countries[3] Earlier still, in January 1966, the directors of the World Bank and IMF had demanded that India devalue the rupee or raise her prices on imports by 40 per cent as a condition for further aid' In that particular case the directors of the World Bank promised to increase aid to India from friendly countries, i e the consortium, and review the periods laid down for repayment of India s earlier debts They finally achieved their goal and on June 6, 1966 India was obliged to agree to devalue the rupee[4] by approximately 37 per cent

In exchange for a promise of more substantial financial assistance from the consortium and the World Bank for India s fourth five year plan (up to 1 500 1,700 million dollars a year), on account of the devaluation of the rupee the Indian Government was obliged to make a further concession to and the World Bank agreeing to limit state control of industry, private foreign investments and imports[5]

A further graphic illustration of World Bank policy to consolidate the private sector in India is provided by the loans granted by the World Bank and the IFC to the Indus

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[1] *World Bank ID 1 Annual Report 1963 1964* p 30

[2] Fort Gloster Industries Limited (1 211 000 dollars) Lakshmi Machine Works Limited (1 380 000 dollars) and Mahindra Ugine Steel Company Limited (3 450 001 dollars)

[3] *The New York Times* April 13 1966 p 11

[4] Prior to devaluation one US dollar was worth 4 76 Indian rupees and after devaluation one US dollar was worth 7 5 Indian rupees

[5] See *The Indian Express* April 2 1966 *The New York Times* April 17 1966 *The Hindustan Times* November 24 1966

trial Credit and Investment Corporation of India (ICICI) The corporation was founded in 1955 on a recommendation from the World Bank and with its assistance, and from the outset it was envisaged that the ICICI, to counterbalance the public sector, must promote the growth of private industry in India' [1] By the middle of 1963 the World Bank and the IFC had granted the corporation five loans totalling 90 million dollars In fiscal 1965 the World Bank granted the ICICI a further loan of 50 million dollars The World Bank loan of 25 million dollars to the ICICI was the only loan it granted India in fiscal 1968 [2] A similar picture emerged in FY 1970 the 40 million loan granted to the ICICI was the only World Bank loan India received that year [3] India declined other loans that year, in view of both the onerous terms demanded by the World Bank and the consortium, and her enormous external public debt

The ICICI belongs to private investors from Japan, the FRG, Britain, the United States and India Its function is to mobilise private capital, including that from abroad, for investment in the private sector During its first 10 years the ICICI granted loans totalling 100 million dollars to more than 200 private firms and companies All ICICI operations over the period (including the involvement of foreign capital) involved close on 650 million dollars, that is five times the corporation's own investment in the private sector of the Indian economy [4]

The World Bank also devotes considerable attention to Pakistan By mid-1964 the World Bank and its branches had granted loans and credits to Pakistan totalling close on 320 million dollars, almost half of which (close on 155 million) went on the infrastructure and only 53 million to industrial development Then again these 53 million were granted in the main to the private undertaking, the Pakistan Industrial Credit and Investment Corporation (PICIC) The PICIC was set up in 1957 to assist the private

[1] *The World Bank Group in Asia A Summary of Activities*, p 30

[2] *World Bank IDA Annual Report 1968*, p 8

[3] *World Bank IDA Annual Report 1970*, p 8

[4] *The World Bank Group in Asia A Summary of Activities*, p 30

sector of the Pakistan economy. So once more the World Bank adhered faithfully to its policy of consolidating capitalism The PICIC is almost entirely controlled by foreign private capital—the controlling interest is in the hands of American, British, Canadian, West German and Japanese shareholders.[1] The World Bank affiliate, the IFC, became a shareholder in 1963. In the interim the IFC has granted Pakistan loans amounting to a mere 6 million dollars and these have naturally been geared to enabling foreign banks to invest larger sums, insofar as in this as in other ventures the IFC's own loans have accounted for only a small part of the total funds. In fiscal 1964 the World Bank and IDA granted Pakistan one loan of 17 million dollars and another of 30 million to the PICIC. World Bank loans and IDA credits to Pakistan for fiscal 1966 and 1967 amounted to approximately 120 million dollars, while during the same period Pakistan received virtually no aid for industrial development, either from the World Bank. In 1967/68 the Bank granted the PICIC loans totalling 35 million dollars and IDA allocated credit totalling 10 million to Pakistan agricultural development. The PICIC received its next loan from the World Bank (40 million dollars) in April 1969. In November 1968 the World Bank announced its plans to grant Pakistan a new loan of 35 million dollars in 1969.[2] In fiscal 1970 Pakistan received a loan of 19,200,000 dollars from the World Bank and nine credits from IDA totalling 77,200,000 dollars, including a 20-million credit to the PICIC, and in fiscal 1971 further credits from IDA totalling 48 million dollars.[3]

As indicated earlier, a supplementary contract in connection with the Indus Basin Development Fund came into effect in April 1964. In accordance with this supplementary contract the members of an international consortium for granting aid to Pakistan (the Pakistan Consortium)[4] to-

[1] *The World Bank Group in Asia. A Summary of Activities*, pp. 64 65.
[2] For a period of 33 years at an annual rate of interest of 6 5 per cent for the construction and improvement of motor roads in West Pakistan over a total stretch of 175 miles.
[3] *World Bank. IDA. Annual Report 1970*, pp. 8, 11; *World Bank. IDA. Annual Report 1971*, p. 8
[4] The governments of Australia, Belgium, the Netherlands, Canada, the FRG, France, New Zealand, Italy, Japan, Britain and the USA.

gether with the World Bank took it upon themselves to grant loans totalling 315 million dollars for the purchase in the member countries of equipment and commodities required for harnessing the Indus River in Pakistani territory [1]

In November 1967 Burke Knapp, Vice-President of the World Bank, visited Pakistan where he had talks with Pakistan officials on financing the construction of a dam on the Indus River and of other hydroelectric installations (the Tarbela Dam Project) and also on Pakistan's outstanding payments on World Bank loans [2] In May of that year Pakistan had turned to the World Bank with a request for mediation to help her receive a 650 million dollar loan from the Consortium in order to make up for the shortages during the past two years" [3] In the course of talks with the Bank's President George Woods and with Vice President Knapp, Pakistan ministers had brought up the question of extending the period for repayment of the country's outstanding debts and a reduction of the interest rate pointing out that the Bank was levying extremely high interest rates In their characteristic fashion Knapp and Woods recommended to the Pakistan leaders that they attract more investment of foreign private capital

In response to the Pakistan Government's new request to the World Bank a Tarbela Development Fund was set up in May 1968 to complete arrangements for financing this project On the basis of the agreement reached between six members of the Consortium[4] and the World Bank, additional funds for completing the Pakistan part of the project for developing the Indus Basin were provided which totalled approximately 175 million dollars [5] The World Bank's share in this sum was only 25 million dollars By this time the loans and credits provided by the World Bank and the members of the Consortium for this project had reached 498 million dollars. A further significant detail is

[1] The Bank's share came to 58,500 000 dollars (*World Bank IDA, Annual Report 1968*, p 21)

[2] On June 30, 1966 Pakistan's external debt totalled 2 340 million

[3] *The Pakistan Times*, May 10, 1967, p 12

[4] Canada, France, Italy, Pakistan, Britain and the United States

[5] Loans were granted by Canada (4 000 000), France (30,400,000), Italy (40 000,000), Britain (24,000 000) and the United States (50,000,000)

that the loans granted to Pakistan by the United States Canada and Britain could only be used for purchasing commodities and equipment in those countries The Pakistan Government, for its part, will have to spend 335 million dollars on the project,[1] which will not be completed before 1976

8 THE WORLD BANK AND UN SPECIALISED ORGANISATIONS

The directors of the World Bank, as they work to consolidate its influence in the developing countries, are beginning to make active use of the United Nations' specialised organisations in particular those whose prestige is still high in these countries Those activities are often presented as a new policy of the World Bank, introducing an emphasis on co operation with the developing countries and also with international specialised organisations After concluding a working agreement with the FAO, the World Bank in collaboration with this organisation is financing a number of projects for training agricultural experts In contrast to its former policy the World Bank is now granting small loans for the introduction of agrarian reforms In practice however, this means that it grants small credits to private agricultural banks, and loans for constructing roads required to facilitate the export of agricultural produce etc

Making the most of the UNESCO principle that education is the prerequisite of economic development , which the neocolonialists propagate in the developing countries and are aiming thereby to distract attention from more acute social problems, the directors of the World Bank announced in 1963 its adoption of a new policy in that field as well What were the motives underlying this decision on the part of the directors of the World Bank? In 1963 George Woods had the following to say on the subject In particular I believe that we will have to do more to help create the facilities necessary to the spread of education Secondary and vocational schools in particular, can have a fairly rapid impact on development by providing the middle level manpower as well as the specialists in administration

[1] *World Bank IDA Annual Report 1968* pp 21 22

agriculture and other subjects that are so important in economic growth."[1] These words show that Woods is still propagating the same old philosophy for the developing countries, calling for the creation of an infrastructure in the field of education as well. For, leaving aside his comments on development and economic growth, it stands out clearly that Woods is concerned first and foremost with the training of "middle-level manpower", i.e., the creation of yet another vital prerequisite for profitable investment of capital in these countries. No attempt was made to conceal this side of the picture in the World Bank's annual report for FY 1968. Noting that the Bank's capital investment spheres in this field are to remain technical, vocational and secondary schools and only on a scale required to meet the demand for "middle-level manpower", the authors of the report point out that the main aim behind it should be to "increase the productivity of the labour force"[2] and ultimately secure higher profits for foreign investments. As yet Bank loans and IDA credits for education projects and expansion are small: in FY 1969 they totalled approximately 80,000,000 dollars, in FY 1970 79,900,000 and in FY 1971 107,900,000 dollars.[3]

The main reason behind this "switch" in World Bank policy is the Bank's eagerness to use the image and authority of UNESCO (the main UN body concerned with problems of educational, scientific and cultural development) in order to consolidate its own influence in the developing countries. It is in this light that the agreement providing for co-operation between the World Bank and UNESCO should be considered, an agreement concluded under pressure from the Western countries in June 1964. The existence of this agreement enabled the World Bank in conjunction with UNESCO to "examine educational projects" in 17 developing countries during the year 1964/65.[4] During 1967/68 the World Bank and IDA participated in the financing and

[1] Address of George D. Woods, President of the World Bank, IFC, IDA, to the Board of Governors, Washington, D.C., September 30, 1963, p. 10.

[2] *World Bank. IDA. Annual Report 1968*, pp. 13-14.

[3] *World Bank. IDA. Annual Report 1970*, p. 10; and *1971*, pp. 8, 16-18.

[4] *World Bank. IDA. Annual Report 1964-1965*, p. 7

execution of another 63 'examination missions" in the devel oping countries, 22 missions in conjunction with UNESCO and 8 missions in conjunction with FAO In fiscal 1970 19 investigation missions" were sent to developing coun tries to identify or prepare educational projects, 11 of them in conjunction with UNESCO and eight in conjunction with FAO [1] The World Bank and IDA participate in financ ing a number of projects in conjunction with the UNDP, UNICEF and other specialised UN agencies [2]

It thus emerges that the directors of the World Bank are attempting to 'dissolve" their activities in the pro grammes of other international organisations, which appear more attractive" and acceptable to the developing countries

9 REGIONAL DEVELOPMENT BANKS

So as to limit their dependence on the World Bank, the developing countries have started to set up their own regional development banks The Latin American countries in an effort to cut down their dependence on the World Bank, and still more on the IMF, and to gain some advantage from their participation in the OAS decided to set up such a bank within the OAS framework The US financial circles went out of its way to seize a dominating position in this bank as well On October 9, 1958 the Inter-American Econom-ic and Social Council set up a Specialised Committee for Negotiating and Drafting the Instrument of Organisation of an Inter American Financial Institution The Committee completed its work on April 8, 1959 after reviewing its working document entitled The Financing of Economic Development in Latin America", drafted by the OAS Sec-retariat At its final meeting on April 8 the Committee approved the draft for an Agreement Establishing the Inter American Development Bank (IDB)[3] and set up a Preparatory Committee called upon to establish the rules

[1] *World Bank IDA Annual Report 1970*, p 16

[2] Ibid , pp 14 15 *How the World Bank and UNESCO Work Together in Education*, UNESCO, Paris, 1970

[3] For the text of the Agreement see *Convenio Constitutivo del Banco Interamericano de Desarrollo Union Panamericana*, Washington, D C , 1959, pp 13 51

of procedure for the Bank's activities and make preparations for the first meeting of the Board of Governors. The Agreement was opened for signature by OAS member countries on April 8, 1959. Close analysis of this Agreement reveals that its basic points are identical with the World Bank's Articles of Agreement. The first article in the Agreement[1] sets the IDB the task of promoting private investment, including that from overseas, in the Latin American countries. The IDB's declared assets, including the Fund for Special Operations (FSO) which consists of 150 million dollars, were set at 1,000 million of which 850 million was to be the initial declared capital. This sum was divided into 85 thousand shares each with a nominal value of ten thousand dollars. Of this total 400 million dollars was to be paid in by the IDB member countries starting on September 30, 1960 (in three instalments), while the remaining 450 million could be demanded by the IDB when its financial obligations called for such a step. Each member of the IDB has 135 votes plus one vote for every share. The United States which took out 35,000 shares (over 40 per cent of the total) has naturally gained a leading position in the IDB. Of the other members only Argentina and Brazil possess a quota slightly over 10,000 shares As for the FSO, two-thirds of this was provided by the United States.[2] Later the subscription fund of the IDB was increased and at the present time it amounts to 2,280 million dollars. The FSO was also expanded and at the end of 1969 it was 2,300 million dollars, the US contribution accounting for 1,800 million, and those of the other IDB members for 528 million dollars. Since 1961 the Social Progress Trust Fund (525 million dollars), set up under the auspices of the Alliance for Progress, was placed under IDB supervision. By 1965 this fund had been virtually exhausted and since then it has been supplemented with loans from the FSO.[3]

[1] *Convenio Constitutivo del Banco Interamericano de Desarrollo. Union Panamericana*, pp. 19-20.

[2] 100 million dollars of the total 150 million (ibid., p 50)

[3] *Inter-American Development Bank. Ten Years of Work in Latin America*, Washington, 1970, pp. 5-8. *The IDB's First Decade and Prospectives for the Future. Round Table*, Punta del Este, Uruguay, April 1970, pp. 51-52.

The structure of the IDB is similar to that of the World Bank Its supreme body is the Board of Governors (on which each member country is represented) which meets once a year, however, the real power is in the hands of the Board of Directors who are elected or appointed for three years, the President (elected by the Board of Governors for a term of five years) and his two deputies appointed by the Board of Directors in response to recommendations from the President of the IDB The directors of the IDB (those appointed and elected) cast the votes of the countries that appointed them, and the countries that voted for them in cases when directors were elected by the Board of Governors[1] Until September 1970 the President of the IDB was the Chilean economist, Felipe Herrera, who was then replaced by Antonio Ortiz Mena, former Mexican Minister of Finance The IDB headquarters is in Washington

The IDB started operating in 1961 The 1970 lending operations brought the Bank's cumulative loan total as of December 31, 1970, to 622 amounting to 4,069 million dollars 205 of these loans totalling 1,486 million were made from the IDB's main fund, 279 loans totalling 2,022 million dollars from the FSO, 22 loans amounting to 66 million dollars from the contributions made by Argentina, Canada, Sweden, Britain and the Vatican, and finally 116 loans totalling 495 million dollars from the Social Progress Trust Fund[2]

Table 10 illustrates the similarity between the external credit policy and practice of the IDB and those of the World Bank Like the World Bank once again, the IDB never provides all the necessary funds for any project but instead mobilises private capital for this purpose, in particular in the United States and other leading capitalist countries The IDB also encourages other banks (from the United States, the FRG, Spain, Japan and other countries) to join in the projects it finances, accepting loans from them at a high rate of interest (8 per cent and over) The IDB's

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[1] Six directors are elected while one is appointed by the country possessing the largest holding, i e, the US representative

[2] *IDB. Eleventh Annual Report 1970*, pp 1 5, *Appendix to Eleventh Annual Report 1970*, pp 1 60.

Table 10

IDB Loans and Credits by Purpose[1]
(mil dollars)

	1970	1961 70	Per cent of total
Agriculture	236	1 067	26
Transportation and telecommunications	162	685	17
Industry including mining	47	621	15
Power	103	577	14
Water supply and sewerage	29	486	12
Urban development and housing	29	351	9
Education	14	150	4
Preinvestment surveys	12	79	2
Export credits	12	53	1
Total	644	4 069	100

total commitments as regards loans from outside banks amounted to 915 million dollars on December 31 1970[2]

The Latin American countries have not achieved those goals which they set themselves when establishing the IDB its creation has not diminished their dependence on the World Bank, the IMF or the US monopolies What is more the IDB provides the United States with yet another lever for intensifying its financial fettering and exploitation of Latin America The USA continues to consolidate its dominating position in the IDB it was precisely to this end that it increased its share in the FSO by 500 million dollars in 1965 and linked the activities of the IDB and OAS still more closely through the institution of Alliance for Progress programme (using the Social Progress Trust Fund and other methods and manoeuvres) In February 1967 President

[1] *IDB Eleventh Annual Report 1970* p 7
[2] Ibid pp 19 21

Johnson turned to Congress with a request for a further 900 million dollar increase in the US contribution to the IDB fund, which Congress approved in principle, while cutting down the actual figure somewhat

In recent years the IDB has stepped up its activities connected with floating loans on the financial markets of the United States, Britain, the FRG, Italy, the Netherlands Spain and France, mobilising first and foremost private capital for investment in Latin America In order to tighten their control over the IDB the US monopolies and banks make use of their World Bank which receives regular detailed information on IDB activities and analyses on a joint basis with the latter all development programmes for the Latin American states, which the IDB helps to finance In addition the World Bank, in conjunction with the IDB and the Inter American Committee on the Alliance for Progress, works out methods for co operation in evolving 'development strategies" for the countries of Latin America [1]

As a result IDB policy differs little from World Bank policy It is aimed above all at protecting the interests of the US monopolies on the Latin American continent for example, when Peru recently nationalised the International Petroleum Company active in that country, the IDB imme diately refused Peru a loan for building a main road between Jaen and San Ignacio

The *African Development Bank* (AFDB) set up in September 1964 (on the basis of a treaty signed in Khartoum on April 4, 1963 at a conference of African ministers) constitutes a stronger protest against the domination of the World Bank by the leading capitalist countries It provided a forceful demonstration of African solidarity, an attempt to stand up to neocolonialism Its members are only African countries The initial declared capital of this bank was 250 million dollars [2] By the end of 1965 the Bank had 27 members, and their number had

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[1] *World Bank. IDA Annual Report 1970*, p. 30.
[2] *ONU Chronique mensuelle*, Vol 1, No. 1, October 1964, p 46

risen to 31 by August 1968 [1] The main task AFDB sets itself is to mobilise the financial resources of its members for economic development in Africa The headquarters of the Bank set up with African funds and run by Africans[2] is in Abidjan in the Ivory Coast AFDB started to operate on July 1, 1966 The fourth meeting of the Bank s Board of Governors was held in August 1968 in Nairobi at the invitation of the Kenyan Government Kenya was the first country to receive a loan from the AFDB (in 1967), a loan of 2,800,000 pounds sterling for the construction of roads linking Kenya with Tanzania and Uganda In the intervening years the AFDB has provided technical aid for a number of AFDB members to facilitate the preparation and financing of development plans Among the major projects which the AFDB has helped finance are the Bu Namussa dam project in Algeria, the trans Sahara road from El Golea to Ain Salah, a dairy plant in Annaba and the re equipping of the Air Algerie company

In August 1969 the fifth meeting of the AFDB Board of Governors was held in Freetown where, along with other problems, the establishment of an *African Common Market* was discussed

Having only limited capital the AFDB is naturally not yet able to satisfy all the needs of its member countries The monopolies and banks of the USA and other Western countries at first adopted a 'wait and see' attitude with relation to the AFDB At any rate the Bank did not receive any financial support from them, nor was it granted access to the financial markets of those countries Ruling circles in the United States in their search for a 'regional basis' for granting aid to Africa, hoping with a single scheme or organisation to involve a whole group of countries, attach particular importance to opportunities for making use of the AFDB to this end. In a message to Congress on foreign aid in fiscal 1968 President Johnson stressed the US

[1] Algeria Cameroun, Chad, Congo (Brazzaville), Zaire, Dahomey, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Liberia, Zambia, Malawi, Mali, Mauritania, Morocco, Niger, Nigeria, Ruanda Senegal, Sierra Leone Somalia, Sudan, Tanzania Togo, Tunisia, Uganda, Egypt, Upper Volta, Central African Republic

[2] The Bank's President is Mamoun Beheiry from the Sudan

intention to set aside a specific sum for granting a loan to the AFDB naturally on conditions advantageous to the United States The World Bank for its part started stepping up its activities in this direction in 1968 The President of the World Bank, Robert McNamara paid a visit to the countries of West Africa in February 1969 during which he referred to the Bank s intention to triple in the next five years its loans to the African countries Accordingly in fiscal 1969 the World Bank granted loans to 29 African countries totalling 345 000 000 dollars[1] and in fiscal 1971 World Bank loans and IDA credits to the African countries totalled 468 700 000 dollars[2] It is possible that one of the reasons for the World Bank s intensification of its activity in Africa is to create more difficulties for AFDB which naturally is in no position to compete with the World Bank and is compelled to engage in "co operation with the latter Unmistakable signs of such co operation are already visible in fiscal 1970 and 1971 the World Bank in conjunction with the AFDB ECA and the UN Development Programme set up a co ordination committee for preinvestment surveys in Africa and officials of the World Bank were becoming frequent guests of the AFDB In FY 1971 two officers of the AFDB took a course" at the World Bank headquarters while a World Bank representative spent that same year working in the capacity of an adviser to the President of the AFDB[3] The World Bank s permanent missions in Abidjan and Nairobi and the European Development Fund (established by the EEC) have also established close contacts with the AFDB

Going out of its way to participate in the *Asian Development Bank* (ADB) and rule the roost in it the US ruling circles in league with Japan started conducting negotiations with many Asian countries long before it was officially discussed by the ECAFE Britain and the FRG later also started taking part in this diplomatic offensive They even succeeded in having a Preparatory Commit

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[1] Cf 140 000 000 in fiscal 1968 (Address to the Board of Governors by Robert S McNamara p 4)

[2] *World Bank IDA Annual Report 1971* p 8

[3] Ibid , pp 33-34

tee[1] set up and staffed with their sympathisers who provided ample support for US and Japan interests As a result on December 4, 1965 the ADB Charter was signed in Manila The Bank's declared capital was then 1,000 million dollars, and it originally started life with 28 members Contributions to the initial subscription were as follows Afghanistan 3,360,000 dollars, Australia 85 000 000, Cambodia 3,000,000, Ceylon 8,520,000, India 93,000,000, Iran 60,000,000, Japan 200,000,000, the Seoul regime 30,000,000, Laos 420,000, Malaysia 20,000,000, Nepal 2 160,000, New Zealand 22,560,000, Pakistan 32,000,000, the Philippines 35,000,000, the Saigon regime 7,000 000, Singapore 4,000,000, Thailand 2,000,000, Western Samoa (New Zealand) 60,000, the Chiang Kai shek clique 16,000,000 dollars The non Asian member countries made the following contributions to the initial subscription Belgium 5,000,000, Canada 25, 000,000, Denmark 5,000,000, the FRG 30,000,000, Italy 10,000,000, the Netherlands 11,000,000, Britain 100,000,000, and the United States 200,000,000 dollars

The United States and Japan had thus succeeded in securing almost 40 per cent of the votes in the ADB If to their votes are added the subscriptions of Australia, Britain, New Zealand, Belgium, Canada, Denmark, the FRG, Italy and the Netherlands then the developed capitalist countries are seen to possess almost 60 per cent of all ADB votes It is therefore obvious that the developing countries of this region are not able to play a decisive role in ADB To make it look like a specialised regional UN agency, officially the ADB was set up under the auspices of the ECAFE, and the UN Secretary-General was the trustee of the ADB funds till the end of its organisational period This meant that American diplomacy had succeeded in having the United States had been 'invited" to become a member of the ADB and ensuring it, together with Japan, had gained a dominating position in the Bank It is not surprising that President Johnson hurried to ratify the ADB Charter in the Senate, referring to its inauguration as the

[1] Australia, Ceylon the FRG India Iran, Japan, Malaysia, Nepal, Pakistan the Philippines, Thailand, the United States, the Seoul and Saigon regimes

it was noted that in 1967 the Bank had received revenues amounting to 4,500,000 dollars and of this sum close on 2 000,000 dollars was net profit, obtained from the sale of securities on Western markets [1] This meant that the ADB s first operations were transacted not with developing countries, which had been hoping for financial support from this bank, but with the banks of the leading imperialist powers

These events show that the countries of Asia will most probably not find themselves much longer in the grip of the Western "constructive" policy for Asia, which has already fallen into such disrepute in that continent owing to the fiasco in Indochina Critical voices were to be heard during the original negotiations for setting up the ADB when it became clear that the Bank had nothing Asian" about it In July 1966 a number of deputies to the Iranian Senate brought up this question and the newspaper *Peyghame Emrouz* commented in December 1966 that New York banks and their minions will dominate in this bank and therefore it is in the interests of the Asian countries to reject this scheme" [2] US monopolies meanwhile were hatching plans for using the ADB as one of their channels for implementing 'Asia's Marshall Plan", above all so as to provide scope for the sale of agricultural 'surpluses" to the Bank's member countries [3] The Japanese monopolies, who had been planning to use the ADB for setting up under it a 300 million-dollar special fund for agricultural development in Southeast Asia,[4] also had high hopes of the ADB's potential The Japanese had envisaged this as a fund to be spent only in the interests of the countries of Southeast Asia, who had attended the Tokyo conference of December 6 8, 1966 [5]

Those however were plans for the future Meanwhile the Western powers and Japan impeded the creation of an ADB special fund for long term loans, which the Asian members were demanding in the hope of thereby securing for

[1] See *ADB Annual Report for 1967*
[2] *Peyghame Emrouz*, December 19, 1966
[3] See *New York Herald Tribune* March 22 1966
[4] *Mainichi Daily News*, December 8 1966
[5] This meant that India and Ceylon, for example, would be unable to take advantage of this fund

themselves preferential loans and credits in view of the fact that the rate of interest on loans from the regular ADB fund was very high—$6^7/_8$ per cent The ADB granted its first loan to Thailand in January 1968 which amounted to five million dollars [1] Between January 1968 and April 1969 the ADB granted 17 loans at an annual rate of interest of $6^7/_8$ per cent[2] to Ceylon, Indonesia, the Philippines and several other members of ADB, after preparing a number of surveys on the condition of agriculture and the transport services in these countries The loans granted by the ADB to the developing countries of Asia between the Bank's inauguration and April 20, 1970 come to a total of 163 million dollars

The directors of the ADB, despite recommendations of the ECAFE, concentrate their attention not on the industrialisation of the Asian member countries but on the expansion of their agriculture What is more the directors of the Bank object to concluding any form of agreement that would regulate relations between the ADB and the ECAFE,[3] which is pressing for stepping up the industrialisation of the countries in this continent The political leanings of the directors of the Bank emerge clearly from the fact that the Bank made a 25 million loan to the Seoul regime, an agreement on which was signed on January 7, 1971, and also from the statement by the ADB President Watanabe to the effect that the Bank will continue to provide financial assistance to this regime in the future The ADB is moreover coming more and more under the influence of the World Bank, whose representatives pay regular visits to Manila for "mutual consultations" and "co ordination" of World Bank and ADB policy towards the Asian countries [4]

However, executives of the Asian Development Bank have been compelled to take into account the needs of the Asian countries as emerged from the conclusion drawn at the April 1972 meeting of the Bank's Board of Governors At the end of the meeting the Bank's President, Mr. Takeshi Watanabe, announced that the Board of Governors was in

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[1] See *ADB Annual Report for 1967*
[2] See *Ceylon Daily News*, April 18 1969
[3] See *ADB Annual Report for 1967*
[4] *World Bank IDA Annual Report 1971*, p 33.

favour of providing preferential credits and that Japan was ready to contribute close on 2,600 million yen to the Bank's special fund to satisfy these needs. Watanabe also made it clear that the Bank was ready to provide the Republic of Bangladesh with the financial help it so urgently required and admit her to membership of the Bank, given her eagerness so to do.

The facts outlined above make it clear that the monopolies and the governments of the leading capitalist countries are taking all possible steps to turn regional development banks into instruments of their own policy in these continents—the policy of neocolonialism.

10. THE WORLD BANK "REVIEWS" ITS POLICY

Nevertheless the World Bank leaders have been obliged increasingly frequently to start reviewing their strategy and tactics. Back in 1963 George Woods declared in an assessment of the World Bank's role in granting financial assistance to the developing countries: "We must frankly recognize that the Bank's efforts are only a small part of the picture."[1] In other words the former President of the World Bank acknowledged that the effect of World Bank financial "aid" to the developing countries is negligible. According to the Pearson Commission, "measured against the total income of the developing countries, aid resources have been a small fraction, amounting to only about 2 per cent".[2] World Bank activity demonstrates that its directors are merely concerned with creating "favourable conditions" for the investment of monopoly capital thus securing for the monopolies stable high profits. The concessions, or rather mini-concessions which the World Bank has been obliged to make of late, including those with regard to the terms for its loans and credits, have not as yet introduced any conspicuous changes in the Bank's fundamental policy. This policy is meanwhile giving rise to ever stronger protest from the developing countries who are demanding better terms for loans and credits. With every justification they are demanding better terms of trade which provides them with their only means of accumulating foreign exchange and

[1] Address of George D. Woods ..., p. 12.
[2] *Partners in Development*, p. 48.

capital. Confirmation of this is to be found in numerous statements made by the representatives of these countries at the meeting of the World Bank Board of Governors in Rio de Janeiro in 1967.[1] The finance ministers from the developing countries demanded improvements in the terms for trade and loans granted by the World Bank, stressing that the financial assistance their countries receive from the World Bank exerts little appreciable influence on their economic development but instead increases the burden of their external debts. Excerpts from addresses by representatives of two developing countries provide convincing illustrations of this: with reference to deteriorating trade terms the Malaysian representative, Tan Siew Sin, pointed out the following: "Since 1960, the foreign exchange loss incurred by Malaysia as a result of falling commodity prices has been of the order of US $ 1,807 million which represents more than 57 per cent of our estimated gross national product for 1967, or nearly $1^1/_2$ times the country's gross estimated export receipts for 1967, or $6^3/_4$ times the amount of official net loans and grants received during the period 1961-1966, or more than $3^1/_2$ times the inflow of both private and official long-term capital during this same period.... One can come to the valid conclusion from the figures which I have given that if Malaysia had been given fair terms of trade, we would not need any aid from anybody."[2] The Nigerian representative dwelt on another problem, namely, the growing external debts of the developing countries. After pointing out that they increased almost four times over during the ten years 1956-66 and that their repayments on loans and credits rose during the same period from 800 million to 4,000 million dollars, Abdul Aziz Atta, the Nigerian representative, emphasised that these countries spent a considerable part of their national budget precisely on debt service. In conclusion Atta insisted that the terms for credits and loans be reviewed both by the World Bank and the aid-giving countries.[3]

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[1] *IBRD. IFC. IDA. 1967, Annual Meetings of the Boards of Governors. Summary Proceedings*, pp. 10, 12-16, 24 25, 30, 37, 42, 43, 47-48.

[2] Ibid., p. 42.

[3] Ibid., pp. 47-48.

Table 11

Trade Balance and Changes in Reserves of Developing Countries, 1960 67[1]
(thousand million dollars)

	1960	1961	1962	1963	1964	1965	1966	1967
Exports (f o b)	29 0	29 3	31 0	33 8	37 1	39 3	42 4	43 8
Imports (c i f)	32 9	34 4	35 5	37 2	41 0	44 2	48 3	49 8
Trade Balance	−3 9	−5 1	−4 5	−3 4	−3 9	−4 9	−5 9	−6 0
Gold Foreign Exchange and Reserve Positions in the IMF	0 4	−0 4	0 1	1 1	0 5	1 2	0 6	0 8

iron ore, coffee, tin, jute, wool, etc also fell considerably One of the supplements to this report even included figures on the losses incurred by the developing countries each year in the foreign trade sphere

What do these figures point to? First and foremost to the fact that the developing countries are exporting more and more, yet, as a result of the policies pursued by the monopolies who keep bringing down prices on their traditional export commodities, their export earnings are proving insufficient to cover their essential imports The situation is aggravated by the constant rise in prices for manufactured goods exported by the monopolies of the main capitalist states As a result the trade balances of the developing countries are always negative and in 1967 their aggregate trade deficit was 6,000 million dollars Being virtually devoid of foreign currency or gold reserves, the developing countries keep on turning to the World Bank or the capitalist countries for loans Even the directors of the World Bank were compelled to acknowledge, albeit indirectly, the existence of this systematic plunder of the developing countries by the leading capitalist powers in the sphere of foreign trade In his annual report at a meeting in 1967

[1] *World Bank IDA Annual Report 1968*, Annex, Table 5

Table 12

World Exports by Value for 1960 69[1]
(thousand million dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*
Total World	127 0	133 7	141 4	153 9	172 2	186 4	203 4	214 2	238 7	270 0
Primary Products**	56 2	58 0	59 7	65 0	70 9	73 7	77 1	79 7	84 5	90 5
Manufactures	69 7	73 5	79 4	86 3	98 8	109 7	122 5	131 2	150 7	176 0
Developing Countries	27 4	27 7	29 1	31 5	34 6	36 5	38 7	40 1	44 1	48 2
Primary Products**	23 4	23 5	24 6	26 5	28 8	29 9	31 0	31 7	34 2	36 8
Manufactures	3 8	[illegible]	4 3	4 9	5 7	6 4	7 6	8 1	9 7	11 4
Developed Countries	[illegible]	[illegible]	[illegible]	103 6	117 3	128 2	141 5	149 2	167 7	193 0
Primary Products**	[illegible]	[illegible]	[illegible]	31 3	34 7	35 7	38 9	38 7	40 7	44 8
Manufactures	[illegible]	[illegible]	[illegible]	70 7	80 8	90 0	101 1	108 1	124 3	145 2
Unit Value [illegible] Total World	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103	105	105	104	107
Primary Products**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	105	102	101	105
Manufactures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108	109	108	112
Terms of Trade [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	93

[illegible] planned countries, also includes unallocated and miscellaneous products.
[illegible] metals, which are included among manufactures.
[illegible] Annual Report [illegible] p 44

the Bank's President, George Woods, frankly admitted that if the prices for commodities exported by the developing countries had been still at the 1962 level in 1966 their export earnings would have been 1,000 million dollars greater [1]

Nor did the situation change in the years that followed as can be seen from the figures for world exports in the period 1960 69 issued by the World Bank itself (See Table 12)

The above figures do not show a radical improvement of foreign trade conditions for the developing countries, in any case they do not correspond to the rosy picture" which the authors of the 1970 IMF annual report tried to paint [2] They also point once again to the fact that the developing countries share in world exports (in terms of value) dropped from 21 to 17 4 per cent over the given period, while the share of the industrially developed capitalist countries rose from 66 1 to 71 5 per cent They further indicate that the main items exported by the developing countries are still raw materials and semi-manufactured goods, the share of which in the total exports from those countries was 85 4 per cent in 1960 and 76 3 per cent in 1969 Another fact which serves to underline the discriminatory monopolistic policy pursued by the leading capitalist powers in their relations with the developing countries in the foreign trade sphere, is the disparity in the export earnings of these powers and the developing countries from the sale of raw materials and semi manufactured goods on the world market The former secure stable profits for themselves by establishing monopoly prices for their goods of this type, although it is the latter who are the *main suppliers of these commodities* The gap between the export earnings from the sale of raw materials and semi manufactured goods secured by the industrially developed countries and the developing countries in the former's favour amounted in 1961 to 4,300 million dollars, in 1962 to 3,800 million, in 1963 to 4,800 million, in 1964 to 5,900 million, in 1965 to

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[1] *IBRD IFC ID 1 1967 Annual Meetings of the Boards of Governors Summary Proceedings*, p 8

[2] *International Monetary Fund Annual Report 1970*, pp 60 71

5,800 million, in 1966 to 7,900 million, in 1967 to 7,000 million, in 1968 to 6,500 million and in 1969 to 8,000 million dollars. This conclusion is borne out by the figures in the above table relating to the unit value of export commodities and also by those reflecting the terms of trade for the developing countries, which have remained unfavourable during the whole of the period under consideration.

These are the basic reasons for the perilous state of the economic and financial affairs in the developing countries which the World Bank and its branches are in no position to improve: on the contrary, their loans and credits are designed rather to aggravate these problems. It is therefore hardly surprising that World Bank policy with each passing year causes more and more disappointment to the developing countries, which the directors themselves cannot help but be aware of. It is in this light that we should interpret subsequent announcements by the Bank's President, Robert S. McNamara, when he started referring to the necessity of transforming the World Bank from a "conservative institution" into "a different kind of credit agency". After acknowledging the World Bank's discount rate to be high McNamara admitted that it obstructed the granting of loans to the poor countries.[1] Earlier still, during the Second UNCTAD Conference in Delhi ex-President of the World Bank George Woods also alluded to the possibility of a gradual reappraisal of the Bank's policy. However, it was later reported in the Indian press that the talks the World Bank's President had had in Delhi with the Indian Government leaders and officials provided no grounds for the hope that the credit terms of the Bank would be in any way reviewed.[2]

In March 1968 the World Bank issued its regular series of bonds totalling 150 million dollars[3] for sale in the financial markets of the World Bank member countries. On this occasion the Bank sold part of these bonds in the mar-

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[1] See *Washington Daily News*, October 19, 1968.
[2] See *Patriot*, November 19, 1968.
[3] By June 1968 the World Bank had already sold stocks, bonds and other securities in all countries totalling three thousand million dollars.

kets of the developing countries for the first time (issued for a period of two years at an annual rate of interest of $6^1/_8$ per cent) [1] Two details, however, should not be overlooked in this connection—the insignificant total value of the bonds issued in that particular series and the considerable number of developing countries, in whose financial markets part of these bonds were sold [2] The main idea behind this scheme was to involve the developing countries in the activities of the Bank on a wider scale and, most important of all, demonstrate to them that they too were sharing in the World Bank's profits and create the impression that they might also "earn" something from the Bank's operations

On finding they were no longer in a position to merely turn a blind eye to the just demands of the developing countries and realising that it was imperative to review their policy, the directors of the World Bank nevertheless went out of their way to confine themselves to half measures, attempting at the same time to lay on the appearances of a radical review' of their policy In this connection the work carried out by the Pearson Commission, and its controversial report on this situation, is of particular importance Study of this voluminous document reveals little more than a partial review of the World Bank's tactics designed to achieve the old aims, rather than any reappraisal of the principles of its actual policy Although the Pearson Commission calls for a more fully integrated working partnership between those who assist and those who are assisted" and recognises the 'real interrelationship of aid, trade and investment",[3] its conclusions and recommendations are bringing little influence to bear on the principles of the World Bank's policy

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[1] In Argentina, Bolivia, Cyprus Dahomey, Ethiopia Ghana Honduras, India, Iran, Ivory Coast, Jordan, Kenya, Kuwait, Libya, the Malagasy Republic, Mauritania, Mexico Nepal, Niger, Pakistan, Saudi Arabia, Senegal, Singapore, Tanzania, Togo, Upper Volta, Venezuela, Zambia

[2] More than half these bonds were sold in the financial markets of Australia, Austria Belgium, Denmark, Finland Luxemburg, Norway and the Republic of South Africa

[3] *Partners in Development*, p 1,

attached to these loans The commission called for a reappraisal of these conditions with a view to their alleviation However, the main point made in the recommendations was the need for a subsequent extension of the World Bank s activities, including the introduction of its control over the policies and practical activities of all countries and international organisations granting aid to developing countries and the further improvement in the latter of the preinvestment climate" for monopoly capital

As for the recommendations concerning closer co ordination and co operation between the donor countries and the developing nations, to promote which the World Bank sponsored international conference was proposed, the increased share of multilateral aid in overall aid to the developing countries and the streamlining of various forms of regional co operation, these were put forward first and foremost in order to camouflage the World Bank's familiar policy These recommendations are little more than a disguise for the United States' desire to establish complete control over other international and regional agencies, including regional development banks, and at the same time reduce to a minimum the influence exerted on them by regional economic commissions and other UN bodies This is why it does not come as a surprise to learn that the directors of the World Bank accepted unconditionally almost all the conclusions and recommendations put forward by the Pearson Commission As was reiterated later in the Bank's annual report for fiscal 1970[1] and then again in the address made by the Bank s President, Robert McNamara, at the opening of the meeting of the Board of Governors held in Copenhagen on September 21, 1970, on which occasion he devoted a considerable part of his report to the recommendations of the Pearson Commission [2]

We may thus conclude that the World Bank continues to champion the interests of monopoly finance capital, helping to implant and consolidate capitalism in the developing

[1] *World Bank IDA Annual Report 1970* pp 31 32

[2] Robert S McNamara President, World Bank Group Address to the Board of Governors, Copenhagen, September 21, 1970, pp 4 17

countries, obtain advantageous conditions for investment of their capital that guarantee them high profits. Tangible results of financial aid granted to the developing countries by the World Bank are few and far between, particularly in view of the onerous strings attached to this aid and the detrimental effects it has on the economic, financial and political interests of these countries. It is more to the point to note that the World Bank itself "does well" out of this "aid" and has degenerated into a large-scale international enterprise of the financial oligarchy of the imperialist powers. The concessions which those running the World Bank have been obliged to make from time to time, their "reforms" and "reappraisals", including those proposed by the Pearson Commission, neither change the World Bank's overall policy nor its real aims.

CHAPTER IV

THE IMF AS SAFEGUARD OF THE IMPERIALIST MONETARY SYSTEM AND CHAMPION OF THE MONOPOLIES' INTERESTS IN THE DEVELOPING COUNTRIES

The International Monetary Fund (IMF) was also instituted at the Bretton Woods Conference during which the Fund Agreement[1] was drawn up. As with regard to the creation of the World Bank, so with regard to this organisation long negotiations between the United States and Britain were held prior to the Bretton Woods Conference. These talks had led up to the drafting of a "Joint Statement by Experts on the Establishment of the International Monetary Fund of the United and Associated Nations" on April 21, 1944, which was the main working document at the Bretton Woods Conference for discussion of this particular subject.[2]

In a description of one of imperialism's distinctive features Lenin drew attention to the fact that "imperialism is an immense accumulation of money capital in a few countries".[3] After and as a direct result of World War II the United States monopolies, having profited from this war, had come to possess enormous capital, including money capital, which enabled it to dictate how this financial institution should function. The Joint Statement, and later the Fund Agreement, secured a dominant position for the United States, putting the dollar on a par with gold, making it the criterion and basis of international monetary transactions for all other currencies in the capitalist world.

The British pound was thus relegated to the second place. The US monopolies and banks intended that the founding of the IMF should consolidate its domination and "promote exchange stability".[4] The Fund was also to make sure that

[1] This came into effect on December 27, 1945.
[2] *Bretton Woods Proceedings*, Vol. II, pp. 1636-39.
[3] V. I. Lenin, *Collected Works*, Vol. 22, p. 277.
[4] Section 4(a) of Article IV in the Fund Agreement.

without its permission no change took place in the gold content or parity of other currencies in relation to the dollar, as was also stipulated in the Agreement.

Officially the IMF is a specialised UN body and relations between the two should be in keeping with the Agreement that was signed in 1948.[1] According to Article II of that Agreement UN representatives have the right to participate (without voting rights) in the work of the Fund's Board of Executive Directors, while IMF representatives are entitled on the same basis to participate in the work of the UN General Assembly and Economic and Social Council. Any interference in IMF activities or policy on the part of the United Nations is prohibited; it is an autonomous fund and its status is defined in the Agreement. This means that the United States, having achieved conditions favourable to its own particular interests in other countries by means of the Fund Agreement, attempted to make sure that the IMF was completely independent of the United Nations. The Agreement between the UN and the IMF did not place the Fund under any obligations and was useful to the Fund's initiators only insofar as it lent their activities the useful screen of the UN image and authority.

In accordance with Article XII (Section 2[a]) of the Fund Agreement the IMF's supreme body is its *Board of Governors*. All real power, however, is concentrated in the hands of the *Board of Executive Directors*. In accordance with Article XII (Section 3[c]) of the Fund Agreement the Board of Executive Directors originally had twelve members. Later (after October 1969) the number was increased to 19: five members who represent the countries with the largest quota (the United States, Britain, France, the FRG and India) were appointed by their governments. By April 30, 1971 the number had risen to twenty, six of whom were appointed by their respective government (those from the USA, Britain, the FRG, France, India and Japan) and fourteen elected.[2] Each of the executive directors appointed

[1] This was ratified by the Board of Governors on September 17, 1948, and by the UN General Assembly on November 15, 1948. It came into effect on November 15, 1948 For the text see *UN Treaty Series*, Vol. 16, pp. 326-39.

[2] *IMF Annual Report 1971*, pp. 214-16.

by his government has 250 votes plus an additional vote for every 100 thousand dollars of his country's subscription to the IMF Each of the executive directors who is elected has 250 votes plus an additional vote for every 100 thousand dollars of the quota of those countries that elected him The Fund s practical activities are supervised by its Managing Director appointed by the Board of Executive Directors, who at the same time is Chairman of that board Since September 1963 this post has been held by Pierre Paul Schweitzer (former deputy manager of the Banque de France) The IMF administration has a staff of over 500 and consists of five regional departments[1] and three functional departments[2] plus a number of subsidiary services

In accordance with the Fund Agreement the IMF s initial declared assets were set at 8,800 million dollars and the quotas for the Fund s leading members were apportioned as follows[3] Britain 1,300 million, Belgium 225 million, the Netherlands 275 million, Canada 300 million, the USA 2,750 million and France 450 million

In his work *Imperialism, the Highest Stage of Capitalism* Lenin stressed how "experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs" [4] By securing a 2,750 million quota the United States acquired 27,750 votes, or in other words 37 9 per cent of the votes of all the IMF s original members, which virtually represented a controlling interest and thus the decisive power in the Fund As IMF operations extended and its membership grew, its total subscription increased This was mainly due to the increased quotas from the IMF's foundation members (by 50 per cent) and also a special increase in the quotas of certain other states [5] The first increase took place in 1959, when the IMF Board of Governors adopted a special resolution[1] in that connec-

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[1] In charge of the Fund's affairs in Africa, Asia Europe, the Middle East and the Western Hemisphere

[2] Departments dealing with currency restrictions legal affairs, and research and statistics

[3] Hans Aufricht, *The International Monetary Fund Legal Bases Structure, Functions* Published by the London Institute of World Affairs 1964, p 79

[4] V I Lenin, *Collected Works*, Vol 22, p 228

[5] Canada, the FRG, Japan and a few others

tion This meant that the total resources of the Fund contributed by the 65 members increased in the period January 31, 1959 to October 10, 1963 from 9,228 million to 14,621 million, the US quota rose to 4,125 million [2]

In February 1965 at a meeting of the IMF Board of Governors in Tokyo the United States succeeded in pushing through a further increase of its quota, and the quotas of

Table 13

Modifications in the Quotas for IMF Member Countries Stipulated in the Board of Governors Resolution of February 26, 1965 (XIX Meeting of the IMF)[3]

(millions of dollars)

Country	Quota valid until 25 II 65	New quota	Increase
FRG	787	985	198
Australia	400	500	100
Austria	75	94	19
Belgium	337	422	85
Canada	550	690	140
USA	4,125	5,160	1,035
Spain	150	188	38
Denmark	130	163	33
France	787	985	125
Italy	500	625	125
Japan	500	625	125
Norway	100	125	25
New Zealand	125	157	32
Netherlands	412 5	520	107.5
Portugal	60	75	15
Britain	1,950	2,440	490
Sweden	150	188	38
Totals	10,938 5	13,942	3,003 5

[1] *IMF Summary Proceedings 1959*, pp 160 61 (Resolution No 14 12)

[2] Hans Aufricht, op cit , pp 39 42

[3] *IMF Annual Report 1965*, Washington, D C , April 30, 1965, p 129

the other leading capitalist countries were also increased, as shown in Table 13 specifying these changes in the quotas of 17 leading capitalist countries

All in all these 17 member countries of the IMF succeeded in increasing their quotas by a sum exceeding 3,000 million dollars, while the total increase in the quotas of 74 developing countries from Africa (excluding South Africa), Asia (excluding India) and Latin America came to just over 1,000 million [1] This meant that the Board of Governors' resolution of February 26, 1965 consolidated the dominating position enjoyed by the main capitalist powers belonging to the IMF At that same meeting the Board of Governors adopted two more resolutions (Nos 20 6 and 20 7 on March 31, 1965) on this subject sanctioning a special rise in the quotas of 16 member countries totalling 868 million dollars, including increases of 215 million dollars for the FRG, 100 million for Japan and 62 million for Spain [2] By the end of 1966 IMF membership had reached 106 while the total subscription came to 21 thousand million dollars On September 1, 1969 there were already 112 members On February 9, 1970 the IMF Board of Governors ratified a proposal put forward by the Board of Directors calling for another increase in members quotas (Resolution No 25 3)[3] thus bringing the total subscription up to 28,940 million dollars That resolution fixed the maximum quotas for the leading imperialist powers as follows the USA 6,700 million, Britain 2,800 million, the FRG 1,600 million, France 1,500 million, Japan 1,200 million, Canada 1,100 million, Italy 1,000 million Among the developing countries the following have large quotas in the IMF India 940 million, Argentina 440 million, Brazil 440 million, Mexico 370 million and Venezuela 330 million [4]

4 CONDITIONS FOR PARTICIPATION IN THE IMF

One of the conditions for membership of IMF and one of its most important functions is to reach agreement between

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[1] *IMF Annual Report 1965*, p 123
[2] Ibid, p 115
[3] *IMF Annual Report 1970*, pp 181 82
[4] Ibid, pp 183-84

each member country and the Fund concerning gold backing for its currency and the par value of the latter in terms of gold or other currencies, in this case US dollars Any change in the par value of a member s currency may be made only after consultation with the Fund (Article IV Section 5 (c)) [1] otherwise the Fund can deprive the country in question of the right to receive loans etc This particular article in the Fund Agreement was the pivot for all US ruling circles plans of consolidating forever the domination of the dollar and making all other currencies dependent on it Indeed it was stipulated in the Fund Agreement that one of the primary purposes of the Fund is to assist in the establishment of a multilateral system of payments in respect of current international transactions and in the elimination of foreign exchange restrictions which hamper the growth of world trade [2] Of course, in this case concern over the growth in world trade involves first and foremost the interest of the leading imperialist powers The IMF was to facilitate their seizure of markets and secure the lowest possible prices for raw materials from other countries and high monopoly prices on the commodities sold by themselves

Under the Fund Agreement each member country has the right to draw 25 per cent of its total quota in the first twelve months, if a quarter of the quota has been paid in gold In the five successive twelve month periods it can draw additional sums not exceeding in all its original quota by more than 25 per cent However IMF members also have the right and are sometimes obliged to buy back from the Fund part of their own national currency deposited in the Fund or to buy the currency of another member for any purpose including capital transfers [3] These stipulations again serve to consolidate the dominant position in the Fund of the countries with greater financial and currency resources These countries with large quotas can naturally avail themselves of wider opportunities for such operations Interest on loans and charges are as a rule payable in gold (at a rate of 2 to 5 per cent) [4] This means that even

[1] Hans Aufricht op cit pp 45-46
[2] Ibid p 49
[3] Ibid pp 53 57 61
[4] Ibid p 60

the strictly financial aspects of the Fund Agreement are onerous for the majority of newly independent states which do not possess large reserves of either foreign currency or gold.

The main task of the IMF, like that of the World Bank, is in the eyes of its founders to "save" capitalism, implant and consolidate private enterprise and bolster the financial domination of monopoly capital in currency and foreign-trade dealings. So far all the IMF's activities have been directed to this end.

2. THE IMF PROMOTES THE FINANCIAL INTERESTS OF THE LEADING CAPITALIST COUNTRIES

The IMF started to operate on March 1, 1947. By June 1965 the loans the Fund had granted totalled 10,800 million dollars and by the end of 1966 they exceeded 12,000 million dollars.[1] In 1964 and 1965 the total drawings on the Fund reached a record figure of over 4,000 million dollars which included two loans to Britain of 2,400 million.[2] The IMF granted the other member countries loans totalling a mere 517 million dollars during fiscal 1965.[3] Drawings on the Fund by Britain alone amounted to 4,800 million dollars in the first eighteen years of its existence,[4] which accounted for over 44 per cent of all the IMF's currency transactions over the same period. By April 30, 1965 the IMF's sterling holdings had reached 125.6 per cent of the United Kingdom's quota, or in other words the extreme limit of what she was allowed to draw from the Fund in keeping with the conditions laid down in the Fund Agreement. To meet the total requested in the two last drawings by Britain IMF borrowed currencies equivalent to 930 mil-

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[1] *The Fund and the Bank Review*, Vol. II, No. 3, September 1965 (Finance and Development), Washington, D.C., p. 185; *World Bank. IFC. IDA 1966 Annual Meetings of the Boards of Governors. Summary Proceedings*, p. 2.

[2] The first of 1,000 million dollars in December 1964, and the second of 1,400 million in May 1965.

[3] *IMF Annual Report 1965*, p. 92.

[4] *The Fund and the Bank Review*, Vol. II, No. 3, p. 185.

lion dollars from eight member countries[1] While conducting such a large scale operation to save the British pound the IMF did not impose any conditions on Britain as it would have done on the developing countries, now as well as in the past The IMF policy with regard to Britain provides a graphic example of the Fund s role as an organ of international imperialism supporting its monetary and financial system which is called upon to save and ensure the stability' of the currencies of the United States and that country s closest partners in imperialism and neocolonialism At the time sterling was still widely used in international transactions and provided the medium of 40 per cent of foreign trade within the capitalist world However by this time the pound commanded little of the confidence formerly placed in it This became particularly conspicuous in November 1964 when countries holding sterling reserves started exchanging sterling for gold or more reliable currencies on a mass scale Ruling circles in Britain were unable to pull themselves out of this financial crisis without outside help and they were obliged to draw almost 5 000 million dollars from the IMF and accept considerable financial assistance from the United States, the Federal Republic of Germany, France and other countries Ever since sterling has been helping itself along on crutches[2]

This rescue operation for the pound was clearly no more than a temporary measure, since the main causes for the lapse of confidence in this currency had not been removed Britain s main headache was the imbalance in payments due mainly to her military expenditure overseas,[3] and another cause of the 1964 sterling crisis was the disruption of Britain s trade balance[4] This assistance from the IMF and other countries signified that the fate of the pound would gradually come to depend on agencies outside In the

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[1] Ibid

[2] The serious sterling crisis in 1964 was not the first in 1956 to resolve another Britain had been obliged to borrow from the IMF and other countries 1 300 million dollars and another 2 000 million in 1961

[3] For the maintenance of overseas bases and forces and the implementation of her imperialist policy

[4] By November 1964 Britain s trade deficit had exceeded 400 million pounds

United Kingdom subsequent events soon demonstrated this still more clearly in May 1965 the IMF was obliged to rescue the pound from yet another crisis with a further loan of 1,400 million dollars

In 1966 67 a number of leading capitalist countries[1] again granted Britain more short-term loans, this time totalling 900 million dollars This averted the danger of devaluation, however the main causes for failing confidence in the pound were still valid and a further crisis broke out in the autumn of 1967 On November 19 the British Government announced a devaluation of the pound by 14 3 per cent bringing down its official exchange value from 2 80 to 2 40 This meant that since 1931 the exchange value of the British pound had dropped from 5 to 2 40 US dollars or more than halved.

Ruling circles in Britain hoped as in 1931 and 1949 by devaluing the pound to increase exports and foreign currency proceeds and thus to remedy a chronic deficit in the balance of payments However, experience was to show on this occasion as before that this measure provides no reliable solution for a balance of payments crisis One of the direct results of devaluation in 1949, for instance, was the growth of Britain's debts to foreign banks to the sum of 635 million pounds Moreover, the temporary advantages which Britain hoped to gain from increased exports were to a large extent cancelled out by subsequent devaluation carried through by her traditional trading partners Australia, Denmark, Norway, India, Ireland, Israel and a number of other countries In 1967 the following countries devalued their currencies Ireland by 14 3 per cent, Denmark by 7 9 per cent, Israel by 16 66 per cent, Hongkong by 11 per cent, Guyana by 14 3 per cent, Malawi by 14 3 per cent, Spain by 16 66 per cent, Ceylon by 20 per cent, Sierra Leone by 14 3 per cent, Nepal by 33 4 per cent and Jamaica by 14 3 per cent For various reasons the EEC countries, the Scandinavian countries (apart from Denmark) and the leading Commonwealth countries refrained from taking the same step, which gave Britain something of a breathing

[1] The USA, France, Belgium the FRG, the Netherlands, Italy, Canada, Japan, Sweden and Switzerland

space, although the British press was unanimous in its assertions to the effect that this did not necessarily mean that prospects for the future were rosy. *The Sun*, which usually supports government policy, pointed out that "if devaluation is to be anything than another brief halt of Britain's slide towards ruin, it must be faced as a moment of truth".[1] Similar views were also expressed in the Conservative *Daily Mail* and *Daily Express*, which demanded the resignation of the Wilson Government. *The Morning Star* also referred to the loss of confidence in the government at that period, condemning its decision to devalue the pound insofar as that step favoured merely international bankers while it inflicted tremendous losses on various branches of the country's economy.[2] In Britain it was the capitalist who benefited from devaluation while it hit hard at the pockets of the working classes. Prices for groceries and various commodities went up by 5-10 per cent as early as the first half of 1968 while the profits of many firms and companies[3] rose by 20-50 per cent over the same period. Meanwhile the number of unemployed went up to 600,000. As was to be expected the measures undertaken by the Wilson Government after devaluation[4] proved insufficient to remedy the enormous deficit in Britain's balance of payments, since Britain imports annually food worth 150 million pounds (devaluation made expenditure on these imports rise), while the 100-million cut in her military expenditure yielded few results, since the cost of American planes which Britain had ordered prior to devaluation went up by about the same sum. The situation was slightly eased as a result of negotiations between Britain and the FRG concerning compensation for British expenditure on the maintenance of the British Army on the Rhine. In the course of these talks in March 1968 it was agreed that more than a quarter of this "compensation" should merely

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[1] *The Sun*, November 20, 1967.
[2] *The Morning Star*, November 20, 1967.
[3] Imperial Chemical Industries, Scragg, J. Bibby and Sons Ltd. and a number of others.
[4] A wage freeze, an increase in food prices, loans from the IMF, a 100-million cut in military expenditure, an abolition of export rebates, etc.

be the equivalent of a loan which Britain would have to repay at some future date[1], the remainder would be spent on the purchases of military equipment in Britain and of securities from the British treasury. The package deal was to total about 73 million.

It should also be noted in this connection that the IMF agreed to grant Britain a new stand-by loan of 1,400 million dollars only after Britain had made pledges to bring her budget deficit down from 1,900 million pounds in 1967 to 1,000 million in 1968/69 and achieve a balance of payments surplus of 200 million pounds sterling in 1968.[2] This time Britain had to make these pledges in word and writing and this step was to be the last taken by Callaghan, as Chancellor of the Exchequer. On November 30, 1967 he was replaced by the well known Labour politician Roy Jenkins. Commenting on the government's new obligations *The Guardian* wrote that the British Government had yielded part of its sovereignty to its creditors,[3] while the Tory Shadow Minister Enoch Powell called Callaghan's letter to the IMF a "humiliating treaty".[4]

All this meant that decisions concerning Britain's monetary problems were being steadily taken over by the Group of 10 which on this occasion had helped to finance Britain's drawing on the IMF. In order to provide Britain with this particular loan the IMF had been obliged to sell 400 million dollars worth of gold, of which France had purchased 80 million, the FRG 90 million, Italy 70 million, Belgium 30 million and the Netherlands 30 million. A further 475 million dollars the IMF provided from its own reserves (including a US contribution of 250 million); furthermore the Group of 10 made a special loan to the Fund of 525 million dollars (including 155 million from the FRG, 130 million from France and 100 million from Italy). The upshot of all this was that this particular operation in the "monetary war" dealt yet another blow at the British pound and this time a decisive one.

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[1] *The Daily Mail*, March 29, 1968.
[2] *The Guardian*, November 30, 1967.
[3] Ibid.
[4] *Daily Express*, December 2, 1967.

The devaluation of the pound and the financial aid afforded Britain by the Fund and the Group of 10 did not in the long run solve Britain's monetary and financial problems. Initially Britain's prospects for improving her trade balance looked more favourable as a result of the higher prices on her manufactured exports which went up by about 5 per cent and the lower prices Britain had to pay for imports of food and raw materials, as well as of the substitution of British made products for a number of manufactured goods which had been imported prior to devaluation. Various measures introduced by the government such as a reduction in the overall volume of imports also had a positive effect on the trade balance.[1] Yet Britain's deficit in her balance of payments for 1967 according to Ministry of Trade figures was still 561 million pounds.[2]

Wilson's Government, as the one before it, attempted in 1967 to solve the country's economic, financial and monetary problems in the interests of the monopolies and at the expense of the working people without modifying its domestic or foreign policies in any way: military expenditure remained virtually unchanged, including military expenditure abroad; no measures were taken to remedy the country's economic condition; the British monopolies continued to expand their long term foreign investment which served to drain a good deal of capital out of the country. In an attempt to make British goods more competitive the Labour Government started to raise labour productivity by means of a wage freeze ("controlled prices" policy), increased prices for over 4 000 types of consumer goods and higher taxes (an increase of 400 million pounds), etc. so as to cut down national consumption (by approximately 900 million pounds annually) and maintain a high level of unemployment, thus ensuring the availability of cheap manpower and a high rate of profit. By these methods the British ruling class went out of its way to curtail imports, expand the volume of exports and achieve a trade surplus and a favourable balance of payments to cover overseas military expenditure and the monopolies' export of capital.

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[1] See *The Guardian*, May 17, 1968.
[2] As opposed to 776 million pounds sterling in 1964.

Yet Britain did not succeed in overcoming the stagnation in a number of branches of her economy or in keeping pace with increasing competition from Japanese, US, West German and Italian goods on European and other markets Her record for 1968 was dismal: the level of industrial production even showed a drop and her actual military expenditure accounted for close on 2,300 million pounds as in 1967,[1] while her balance of payments showed a 500-million deficit Nor did Britain's foreign trade figures for that year present a more encouraging picture, for her trade deficit was 700 million pounds. *The Times* commented that "the first year after devaluation had been worse than almost any forecast".[2] Some improvement in the country's economic and financial position in 1969 was to prove merely temporary The second half of 1970 was marked by trends all too familiar for the British population: rapid inflation, stagnation in production and rising unemployment. At the beginning of December 1970 the number of unemployed exceeded 600,000, while the cost of living between October 1969 and October 1970 went up by 7.5 per cent The Conservatives, who by this time had replaced the Labour Government, had promised at one blow to put a stop to rising prices, increase production and cut down unemployment, but their promises were not to be materialised. Developments in the first quarter of 1971 pointed rather to the opposite: Rolls Royce and the Vehicle and General Insurance Company were bankrupt, while ICI and Shell were both cutting major investment programmes in Britain; the retail prices index continued to rise and living costs went upwards at about nine per cent that year, while the unemployment figures had reached 721,000 by the beginning of March.[3] In business circles there was serious talk of the possibility of another crisis like that of the thirties which had resulted in general bankruptcy. As early as March 1971 Prime Minister Heath had been obliged to hold a series of talks with the leaders of the Confederation of British Industry and the British Trades Union Congress who were demanding that the government take immediate

[1] Instead of the 2,271 million pounds allowed for in the budget.
[2] *The Times*, January 15, 1969.
[3] *The Guardian*, March 3, 1971, p. 10.

action. That was the price Britain had to pay for a favourable balance of payments (681 million pounds),[1] which she had achieved in 1970 and which had brought satisfaction only to banking circles and the City.

It had been achieved by cutting down on imports, increasing invisible revenue reflecting the preference shown by British investors for overseas investments which brought them in profits of 1,374 million pounds in 1970 (representing an almost 50 per cent increase of the 1967 figure). Allowing for the 842 million pounds which Britain had to send out of the country that year in the form of interest on profits and dividends, the surplus balance still constituted 532 million pounds which made possible a favourable balance of payments. Britain's exports rose by only one per cent in 1970.[2]

The large loans which Britain drew from the IMF and the members of the Group of 10 filled the treasury's reserves once more, however, this was all borrowed money. In this connection it is important to remember Britain's constant problem of assets in the sterling area, i.e., those financial obligations which she took on as far back as the Second World War. This problem became still more acute in 1967 after devaluation which undid confidence in the pound once and for all. Devaluation dealt a serious blow at the economies of many developing countries, whose export markets are geared to Britain and who also have sterling reserves in British or other banks. Nigeria, for example, suffered losses of over seven million pounds. The Arab countries also suffered considerable losses (totalling about 145 million pounds) since they had had over 500 million pounds deposited in British banks or invested in Britain.[3] India was likewise affected in view of the fact that her annual exports to Britain were worth about 270 million dollars and constituted about 17 per cent of her total exports. On the other hand, India's sterling debts by the end of

[1] In 1969 Britain's favourable balance of payments showed a surplus of 437 million pounds.

[2] See *The Financial Times*, February 12, 1971.

[3] 400 million pounds' worth of the Arab countries' government assets in Britain belong to Kuwait, and private deposits belonging to Arab citizens in British banks are estimated at around 1,000 million pounds.

November 1967 had reached 245 million pounds accounting for close on ten per cent of her external debt However the devaluation of the pound did not reduce India's total sterling debt since her financial commitments had come into being prior to devaluation Singapore's losses came to approximately 30 million dollars as a result of the fact that almost half her currency reserves had been in sterling Thus, the British ruling classes saw to it that the main brunt of devaluation was borne by the working people of their country and the developing states, in particular former British colonies in the sterling area

Although in London it is still maintained that the crux of the country s monetary problems was not sterling debts but the state of Britain s balance of payments, countries with sterling reserves are bringing more and more pressure to bear on Britain In September 1967 Britain's net liabilities to the sterling area had reached 2,312 million pounds and her net sterling liabilities to the rest of the world were 924 million pounds [1] This meant that Britain's total sterling liabilities were three times in excess of her gold and currency reserves, which on April 1, 1968 totalled 1,134 million pounds This meant that if Britain had had to meet all her sterling liabilities at once she would have found herself in a state of utter bankruptcy An undercurrent of such demands is already audible This was the case, for example, at the talks between Britain and the Hongkong Administration in May 1968, during which the British took steps to make Britain less vulnerable if large amounts of money were unexpectedly drawn from sterling accounts in London Another move by Britain in this direction was the decision to hold a conference of finance ministers from the sterling area countries in London (September 25 27, 1968) On this occasion the finance ministers concerned demanded detailed information from Jenkins with regard to Britain s financial position The communiqué issued after this conference also contained demands from the 34 countries of the sterling area that Britain should consult with them before taking any decisions regarding the role of the pound as an international reserve currency, and Britain was forced to agree

[1] *The Financial Times*, January 24, 1968, p 12

to this and also assure the other countries that she would provide a complete guarantee for the interests of the sterling area countries if there should be any further changes in the role of the pound as a reserve currency [1] In an attempt to re establish confidence in the pound and prevent countries leaving the sterling area, Britain was obliged to turn to the Group of 10 for assistance once again as early as June 1968 But confidence in the pound continued to decline in May 1968 the pound was only worth 2 dollars 38⁹/₁₆ cents while the price of gold on the free market had risen to 41 dollars 55 cents by May 17, 1968, and 42 dollars 30 cents an ounce by May 20, 1968 After these negative developments Britain's financial and monetary position still went on deteriorating, and by the middle of June 1968 Britain had virtually used up all the money[2] she had drawn from the IMF at the end of 1967 The loan had been spent almost exclusively on returning short term loans to foreign central banks in order to ensure that further credit would be available in the future The point was that Britain had been obliged to seek another loan from the central banks of the Basle group" (the Group of 10) amounting to 1 000 million dollars, in order to meet possible withdrawals from sterling accounts in London In June 1968 Britain turned again to this group with a request for new credits worth 600 million dollars, to protect the pound by building up a reserve in case deposits should be withdrawn from sterling accounts in London In other words the continuing drop in confidence in her currency obliged Britain to keep on seeking loans and credits substituting one lot of debts for another On May 20, 1968 the reserves of the British treasury in gold and convertible currency came to 1 115 million pounds, whereas by January 1, 1969 they only amounted to 1,009 million pounds, while Britain's liabilities to foreign banks, with regard to short term loans alone, came to double that figure [3] This explains why, at the beginning

[1] In connection with sterling reserves (Britain's debts) a dollar proviso" has been introduced, meaning that Britain is now bound to compensate any losses that may be incurred as a result of sterling devaluation

[2] 1 400 million dollars

[3] Not counting the sterling debts mentioned earlier

of September 1968, Britain was obliged to seek a new loan totalling 2,000 million dollars, approval of which was voted at a conference of directors from the central banks of the 12 leading capitalist countries in Basle. At the beginning of September 1970 Britain's external debts on long-term and medium-term loans came to close on 1,500 million pounds.[1]

The IMF also started to lose confidence in the pound and in April 1968 the Fund conducted an investigation of the British economy sending a 6-man mission to London for this purpose. The IMF mission held "consultations" with the Ministry of Finance concerning Britain's repayment of her debts to the Fund in 1969-70. The IMF had required their "right" to do this by granting Britain a loan of 1,400 million dollars in November 1967. According to the terms of that particular agreement Britain had for the first time agreed to submit periodic reports to the IMF concerning the measures undertaken to put right the deficit in her balance of payments and to strengthen the pound. The IMF directors were clearly dissatisfied with the steps taken by the Wilson Government and demanded more cogent demonstration of Britain's ability to make good this deficit in the country's budget and improve her trade balance since at that time British exports only covered 80 per cent of her expenses on imports. The next IMF "investigation mission" was sent to Britain by the Fund in November 1970. The members of the mission expressed their uneasiness at the rapid growth of inflation in the country (approximately 7.5 per cent per annum) and recommended to counter this by cutting production, increasing unemployment and limiting credits. Britain was obliged to accept these recommendations since her debts to the Fund at the beginning of November 1970 had reached 2,000 million pounds. These "humiliations" were however nothing to compare with those humiliations and demands to which the IMF subjects the developing countries, for the IMF was going out of its way to save the dollar and pound at any cost, just as the entire monetary system of imperialism that was in the midst of one of its all too common crises.[2]

[1] See *The Times*, September 3, 1970.
[2] *The Guardian*, May 8 and June 24, 1968.

3. THE IMF AND THE DEVELOPING COUNTRIES

With regard to the IMF's activities directed towards "stabilisation" in international monetary transactions and foreign trade the relations between the IMF and the developing countries are particularly significant.

Figures illustrating the external debts of these countries and the condition of their balances of payments and their trade balances provide a fairly reliable idea of these relations. This and subsequent paragraphs will include figures relating to the external debt of 97 developing countries many of which receive loans from the IMF. The total external debt of these 97 countries by the end of 1965 amounted to 36,400 million dollars,[1] more than four times the 1956 figure. The external debt of the Latin American countries at the end of 1965 had reached 11,900 million dollars which meant an increase of over 6,500 million dollars over the given decade, while the increase in the external debt of South Asia and the Middle East for the same period had exceeded 7,000 million dollars, bringing it up to six times the 1956 figure. The external debt of the countries of East Asia had more than tripled and that of the African countries more than doubled in the period 1956-65. Annual payments on the interest and charges involved in the external debts of the 97 developing countries reached 3,500 million dollars, of which Latin America accounted for 1,700 million dollars.[2] By June 30, 1966 the total external debt of the 97 countries came to 41,100 million dollars: 11,460 million were owed by Latin American countries, 9,410 million by the countries of South Asia, 1,950 million by the countries of East Asia and 2,920 million by the countries of Africa.[3] On June 30, 1967, the external debt of 92 developing countries had already reached 43,627 million dollars, of which 5,244 million was owed by the African countries, 4,239 million by the countries of Southern Europe, 2,519 million by the countries of East Asia,

[1] *IMF. Annual Report 1965*, Table 1; *World Bank. IFC. ID 1. 1966 Annual Meetings of the Boards of Governors Summary Proceedings*, p. 51.

[2] Ibid.

[3] *Banque Mondiale et IDA. Rapport annuel 1966-1967*, p. 34.

1,956 million by the countries of the Middle East, 10,827 million by the countries of South Asia and 13,706 million by the countries of Latin America, and at the end of 1967 the interest to be paid on these loans came to 3,890 million dollars [1] In the years that followed the external debt of the developing countries continued to grow and at the end of 1967 it had reached 42,878 million dollars (of which 8,058 million was owed by the African countries, 5,480 million by the countries of East Asia, 3,866 million by the countries of the Middle East, 10,766 million by the countries of South Asia and 14,708 million by the Latin American countries), while their debt service payments totalled 3,724 million dollars (472 million from the African countries, 273 million from the countries of East Asia, 315 million from the Middle East countries, 514 million from the countries of South Asia and 2,160 million from the Latin American countries) At the end of 1968 the external public debt outstanding for these countries had reached 47,901 million dollars (8,719 million to be paid by the African countries, 5,950 million by the countries of East Asia, 4,456 million by the Middle East countries 12,045 million by the countries of South Asia and 16,731 million by the Latin American countries) and their debt service payments had exceeded 4,000 million dollars (625 million from the African countries, 310 million from the countries of East Asia, 411 million from the Middle East countries, 540 million from the countries of South Asia and 2,298 million from the Latin American countries) [2] Nor did the foreign trade record of the developing countries offer a much more encouraging picture at that period, as was demonstrated in detail in the preceding chapter and is clear from the following official figures published by the IMF (See Table 14) Their external debt continued to grow and amounted to 66,698 5 million dollars by the end of 1970 [3]

After the Second World War it was the United States that became the main creditor in the capitalist world In recent years, however, the Federal Republic of Germany and Japan have come to occupy significant positions in this

[1] *World Bank IDA Annual Report 1968*, p 52
[2] *IMF Annual Report 1970*, p 111
[3] *World Bank IDA Annual Report 1972*, pp 82-87

Table 14

Current* Balance of Payments Summary, 1967 69[1]
(millions of dollars)

	1967	1968	1969
Africa	—800	—500	—
Asia	—3 200	—3 200	—2 800
Middle East	—400	—800	1 100
Latin America	—1 800	—2 400	—2 300
Total	—6 200	—6 900	—6 200

* Not counting the inflow of foreign private capital

sphere while Britain's importance has diminished conspicuously

As stressed earlier, the IMF, like the World Bank directs all its energies towards the creation of a favourable pre investment" climate for the monopolies and banks, constantly drawing private banks and firms into their loan and credit operations conducted with the developing countries American banks and firms play a leading part in such operations as can be seen from the following table

Table 15

US provided Short term Loans to the Developing Countries Producing Raw Materials (1960 64)[2]
(millions of dollars)

	1960	1961	1962	1963	1964	Total for 1960 64
To America (without Canada)	1,650	1,810	1,989	2,157	2,746	10 352
To other countries exporting raw materials	454	610	595	703	929	3 791
Total	2,104	2,420	2,584	2,860	3,675	14,143

[1] Ibid, p 73
[2] *IMF Annual Report 1965*, Table 4

Thus American banks and firms alone granted loans (these figures cover only the short term ones) totalling over 13,000 million dollars during the period 1960 64 A large part of these loans was spent by the developing countries on financing their imports from the United States The policy pursued by the imperialist monopolies, who dictate their terms on the capitalist world market has meant that in the course of a decade (1953 63) the volume of trade in raw materials and semi manufactured goods rose by 5 3 per cent, and that in manufactured goods by 6 8 per cent, while prices for the former fell by 4 per cent and those for the latter have risen by 8 per cent[1]

Table 16

Price Index for All Primary Products* (1957 = 100)[2]

	1962	1963		1964		1965[3]
		Jan to June	July to Dec	Jan to June	July to Dec	First quarter
Overall index	88	94	98	102	99	99
Overall index excluding sugar prices	89	92	95	100	100	98
Semi manufactures (excluding sugar)	86	89	93	101	100	99
Raw materials						
Agricultural	83	87	88	91	86	82
Ores and minerals	99	99	101	106	116	115
Sugar (world price)	58	148	182	154	74	45

* Excluding oil

These figures show that the overall index of prices for primary products (which in 1964 together with petroleum still accounted for 85 per cent of the developing countries'

[1] *World Bank IFC IDA 1966 Annual Meetings of the Boards of Governors Summary Proceedings* p 51

[2] *IMF Annual Report 1965*, Table 27

[3] The average index of prices for all primary products went down by a further 1 2 per cent between December 1964 and December 1965 (*Development Assistance Efforts and Policies, 1966 Review*, p 23)

total exports)[1] had not regained the 1957 level (with the exception of the first half of 1964), while prices on manufactured goods that constitute the bulk of these countries imports were rising steadily from year to year Moreover the index of prices for agricultural produce and raw materials in 1964 and the years that followed continued to fall and was beneath the 1962 level This explains why the developing countries suffer tremendous losses in their trade with the advanced capitalist countries

Despite the growth in the volume of exports from the developing countries in 1965 and the curtailing of imports the falling prices for primary products and the continuing rise in prices for manufactured goods prevented these countries from adjusting their trade balances In 1965 these trade balances taken all together showed a deficit of 600 million dollars Thus in order merely to cover this deficit in the 1963 65 period the developing countries were obliged either to sell 2 600 million dollars worth of gold or draw further loans, first and foremost from those countries from which they imported manufactured goods or from the IMF Bearing in mind these countries need to pay off previous loans and also other external debts it becomes clear at once that the developing countries whose gold reserves are negligible were obliged from year to year to keep borrowing from the United States, the FRG, Japan, the World Bank and the IMF In the years that followed there was a definite rise in the prices on the world markets, including those for a number of commodities exported by the developing countries A sharper rise was to be observed however, in prices for commodities exported by the industrially developed countries, which reflected a continuation of the latter s foreign trade policy with regard to the developing countries An illustration of this development is provided in the following table published by the IMF (See Table 17)

This trend in export prices on the world market, essentially unfavourable to the developing countries, naturally makes itself felt in their foreign trade record In the period from 1965 to 1969, these countries annual trade deficit

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[1] *World Bank IFC IDA 1966 Annual Meetings of the Boards of Governors Summary Proceedings* p 3

Table 17

Unit Values of Exports 1956-69[1]
(1963 = 100, measured in terms of US dollars)

	Annual average 1956-60	Annual average 1961-65	1966	1967	1968	1969
Industrial countries	99	100	106	106	105	109
United States	97	101	107	110	111	115
United Kingdom	94	100	108	108	101	105
Western Europe	101	101	105	104	102	106
Japan	107	100	101	101	102	106
[illegible] producers	98	98	105	100	96	98
[illegible] producers	106	101	104	103	103	107

Table 18

Size of Annual Payments on Debts as a Percentage of the Total Sum Granted to the Developing Countries in Loans and Credits[1]

—	Africa	East Asia	South Asia & Middle East	Latin America
1965-67	73	52	40	87
1977 (forecast)				
Version A				
(if the total loaned remains at the former level)	121	134	97	130
Version B —				
(if the total loaned increases by 8 per cent annually)	77	83	60	89

seen from the following selective data, illustrating the currency reserves of a number of developing countries

Table 19

Currency Reserves of Some Developing Countries 1955 57 and 1965 67[2]

(as a percentage of the value of their imports)

	1955 57 (on average)	1965 67 (on average)
Brazil	39 2	26 1
Colombia	22 8	15 8
Mexico	37 7	25 5
Morocco	39 4	15 7
Tunisia	43 7	13 6
Egypt	99 6	19 5
Ghana	123 1	36 4
Philippines	19 3	16 7
India	79 6	26 0
Pakistan	80 5	19 3

[1] *Partners in Development* p 74
[2] Ibid , p 70

Even if the countries listed in this table were to spend all their currency reserves they would still not be in a position to cover their minimum import requirements as well as to make the regular payments on their debts The policy pursued by the monopolies in the foreign trade sphere, as pointed out earlier, gives these countries no chance to satisfy their currency requirements through export earnings, which in the final analysis leads these countries to make themselves the prisoners of foreign finance capital as represented by private and international banks and other imperialist financial institutions

As indicated earlier in this chapter the directors of the IMF hastened to the rescue of the British pound Quite a different situation takes shape when monetary crises hit the developing countries the IMF has no time for such niceties on these occasions The IMF manifests no particular generosity' to these countries as can be inferred from the overall scale of its financial operations In 1964 for example the IMF granted loans totalling a mere 180 million dollars to the developing countries taken as a whole [1] A slightly larger sum was made available to these countries in the form of loans in the first half of 1965, namely 412 million dollars,[2] which of course by no means satisfied their requirements [3] In subsequent years IMF loans to the developing countries averaged 500 million dollars a year As a rule the major borrowers were the Latin American countries In fiscal 1969 the IMF's loans to the developing countries totalled 527 million dollars or 34 per cent of the total loans granted by the Fund that year, and in fiscal 1970 the loans totalled 348 million dollars, a mere 12 per cent of the total loaned by the Fund that year,[4] while the other 88 per cent went to the developed capitalist countries,

[1] *The Fund and the Bank Review*, Vol II, September 1965, No 3 p 166

[2] Ibid

[3] In 1965 the following countries received loans from the IMF Burundi 4 million dollars, South Korea 9 3 million, Costa Rica 10 million, India 200 million, Pakistan 37 5 million Brazil 125 million that year agreements were also signed providing for small loans to Bolivia Chile, Ecuador, Haiti, Honduras, Peru, the Philippines, and Turkey

[4] *IMF. Annual Report 1970*, p 136.

including Britain who drew 1,000 million and France who drew 985 million dollars [1]

For the purpose of this analysis it is, however, more important to investigate the conditions on which the IMF grants loans to the developing countries Developments in Brazil provide a graphic example of typical IMF policy in 1959 Brazil turned to the IMF for its next loan During the talks held to negotiate this loan the IMF mission that had been sent to Brazil made the granting of the loan in question subject to the introduction of a *monetary reform*, the main aim of which was to get rid of multiple currency rates", in other words to devalue the Brazilian cruzeiro Another condition was the IMF's demand that the state oil monopoly be abolished It is hardly surprising that these demands aroused indignation throughout the country. Despite Brazil's financial and economic dependence on the United States the Brazilian Government chose to break off negotiations with the IMF which had been going on for over a year. Later on, however, the Fund did succeed in making Brazil accept a number of onerous loans, such as that for 125 million dollars in February 1965 to combat inflation" [2] In 1963 Brazil was obliged to devalue the cruzeiro after all, and on January 1, 1966 to devalue once more in accordance with insistent demands on the part of the IMF and its mission that had visited the country in November 1965 As a result, while one US dollar was worth 300 old cruzeiros in 1961, in 1966 it was worth 2,500, in other words the cruzeiro was worth less than an eighth of its 1961 value after these two devaluations This shows that the loans and credits granted Brazil by the IMF and the World Bank in previous years had inflicted major losses on the country and, more important still, they had not freed her from the necessity of seeking new loans

In July 1966 a meeting of representatives from the leading capitalist countries was held in Paris to discuss the findings of the World Bank mission sent to investigate Brazil s financial requirements and her economic development plans (as expounded by the Brazilian Minister of Planning and

[1] Ibid , p 137.
[2] *IMF Annual Report 1965*, p 88

Economic Co ordination, Roberto de Oliveira Campos) the implementation of which would require over 1,000 million dollars The IMF, which had already demanded a further devaluation of the cruzeiro (making one dollar worth 3,000 old cruzeiros) in August 1966 as a condition for subsequent financial aid, intervened in the situation again This demand was also supported by a special IMF commission sent in November 1966 to investigate Brazil s financial position, which proved to be lamentable for by the end of June 1966 Brazil's external debt had reached close on 3,000 million dollars [1] In 1967 68, under pressure from the IMF, the Brazilian Government was obliged to devalue the cruzeiro twice, all in all by about 30 per cent in relation to the dollar From August 27, 1968 one US dollar was worth 3 65 new cruzeiros (1 new cruzeiro = 1,000 cruzeiros) In response to pressure from the IMF the Brazilian Government was obliged to devalue its currency still further on a number of occasions in 1969 (in February, March, May and November) As a result the value of the cruzeiro dropped by another 36 per cent, and on January 13, 1969 one US dollar was already worth 4 26 new cruzeiros At the demand of the IMF the cruzeiro was again devalued on several occasions during the following year and by the middle of May 1970 the rate of exchange was 4 56 new cruzeiros to the dollar and by December 1970 cruzeiros were being sold at 4 95 to the dollar and bought at 4 92 to the dollar The cruzeiro was devalued once more at the beginning of February 1971 (by 1 64 per cent), again at the demand of the IMF, and the rate of exchange on March 22, 1971 was 5 1 new cruzeiros to the dollar

Demands for devaluation of currencies became a typical practice of the IMF and its missions sent to the developing countries, and they are often made obligatory conditions for loans For many years after the international economic crisis of the thirties the rate of exchange in Uruguay was under government control, as were also imports and exports It was the government that determined various rates of exchange for the dollar and the Uruguayan peso [2] In 1960

[1] *Banque Mondiale et ID A Rapport annuel 1966 1967*, p 35
[2] For different categories of exports and imports

Uruguay turned to the IMF for a new loan and the Fund immediately demanded that the Uruguay Government "simplify' its exchange rates or set up a unified realistic rate' Uruguay's decision to accept this condition led to increased prices for her imports, which naturally had a detrimental effect on her own industry, and led to a virtual substitution of the black market rate of exchange for the official one This meant that the greater part of the commodities which had formerly been imported from the United States at a rate of 2 2 or 4 11 pesos to the dollar now had to be imported at 10 98 pesos to the dollar Peso prices as a result more than doubled and the cost of living naturally went up, which, as in the case of any devaluation, brought down real wages and living standards in particular for the working people Those to be hit first of all by devaluation were the people who have only their wages to live on (blue and white collar workers, etc), while the owners of large scale private property (landowners and capitalists) suffered no major losses and even were able in a number of cases to avail themselves of the situation to advantage [1] Yet it was the American monopolies of course who made the most of the situation American companies with investments in Uruguay were the first to gain, insofar as the wages they had to pay Uruguayan workers now cost them (in dollars) less than half what they had cost before devaluation American firms exporting their commodities to Uruguay also made capital out of the new situation, for devaluation served to make Uruguay's foreign trade still more dependent on the dollar that was now worth more than twice as many pesos as before

Ever since devaluation Uruguay has been visited by IMF and World Bank missions annually She was again singled out for onslaught by the experts representing the World Bank, IDA and the IMF in 1966 after the Uruguay Government at the end of 1965 had found itself unable to surmount one of its perennial financial and economic crises and had been compelled to turn to American banks, the World Bank and the IMF with a request for a deferment of its

[1] Property estimated previously at for instance 100,000 old pesos was now worth 250 000 new pesos

payments on previous loans and for the granting of a new one Before the agencies concerned complied with this request the top personnel demanded the transfer of all Uruguay s gold reserves to serve as security after which they promised to defer the payments totalling a mere 15 million dollars, and promised to grant Uruguay a new loan of 50 million dollars IMF and World Bank experts arrived in Uruguay to investigate the country s financial and economic position The IMF and World Bank missions demanded a letter of guarantee from the Uruguay Government to the effect that it would comply with all the conditions put forward This letter of guarantee was not the first of its kind which the Uruguay Government was obliged to sign The IMF conditions which Uruguay had accepted led to further inflation for the country indeed Uruguay was to establish a lamentable all time record in this respect [1] Even the bourgeois newspaper *Echos* wrote in January 1966 that the IMF s policy in the Latin American countries brought in its wake nothing but poverty hunger and unemployment and that on the pretext of checking up and reorganising financial situations the IMF established restrictive conditions and in many cases even encroaches on the sovereignty of these countries [2] In sarcastic tones the paper refers to the IMF representatives as FBI agents Indignation on the part of the Uruguayan population reached such heights that on January 25 1966 a demonstration began in the city with people carrying slogans that read IMF get out of Uruguay! The people had every cause to protest since during the period 1961 66 the IMF had insisted that Uruguay devalue her currency on a number of further occasions so that in 1966 the rate of exchange was one dollar to 75 pesos In exchange for the Fund s agreement to grant Uruguay a small "reserve credit (30 million dollars) Uruguay had to make two further devaluations in 1967, so that by May 31, 1967 one dollar was equal 88 3 pesos Thus in the course of seven years in compliance with demands from the IMF the peso had been reduced in value over 20 times

In December 1967 Uruguay was visited by another IMF mission which arrived to investigate the consequences of

[1] In 19[illegible] al[illegible] the cost of living went up by nearly 100 per cent
[2] *Echos* January 25 1966

the government s new economic policy ushered in by the 1967 devaluation and which had found expression first and foremost in wage freezes Nor did the IMF leave Uruguay "to her own devices in 1968 in November another IMF mission arrived in the country to investigate Uruguay s economy In December 1968 the IMF compelled Uruguay to devalue once more demanding at the same time that the wage freeze should continue and putting forward other recommendations Part of the task before the IMF mission was to pave the way for future agreements concerning IMF loans which had already virtually strangled Uruguay s finances and economy and helped to bring her external debts to a total of 550 million dollars in February 1968 It was in order to cover these external debts that the Uruguay Government was obliged to turn once again to the US banks and the IMF for loans New devaluation led to further deterioration in the working people s living conditions [1] In January 1971 yet another IMF mission came to Uruguay to investigate the country s economic and financial position The pretext for sending it was said to be Uruguay s request for deferment of payments (totalling 4 5 million dollars) on a loan granted her earlier by the IMF (a loan of 9 5 million dollars) As a condition for the required deferment of payments the IMF mission demanded that Uruguay should devalue her currency once again

The International Monetary Fund succeeded in imposing similar agreements (concerning devaluation) on Bolivia Venezuela Chile Argentina Colombia Peru Costa Rica Ecuador Ceylon Zaire Turkey and a number of other countries During the first five months of 1967 alone Argentina at the insistence of the IMF was obliged to devalue three times as a result of which the value of the Argentine peso fell considerably the new rate being 350 (against former 205) pesos to the dollar On May 3 1971 the exchange rate had deteriorated still further to 4 12 new (or 412 old) pesos to the dollar In the light of these developments it does not come as a surprise to learn that the peoples

[1] In May 1968 the President issued a decree providing for a rise in bread milk and pastry prices and also those for fuel and lubricants electricity municipal services and public transport fares in the towns etc

of Latin America refer to the IMF flag as the *black flag of devaluation*' Nor is it surprising that some of the developing countries have started seeking other ways to solve their monetary and financial problems and rejecting the IMF's services In December 1966, the Chilean Government, for example, announced that it would seek no financial aid from either the IMF or the United States Nevertheless Chile's economic and financial position still drove her to turn to the IMF for loans on several occasions in 1968, during which year Chile was compelled to devalue her escudo 24 times so that the new rate of exchange was 7 85 escudos to the dollar As a result Chile became yet another of the Latin American countries afflicted by constant inflation In 1969 the Chilean Government was again compelled to devalue the escudo on several further occasions, once more at the demand of the IMF, as a result of which, by November 1969, 9 88 escudos were the equivalent of one dollar and on the stock exchange the equivalent figure was 11 35 escudos The effects of this devaluation soon made themselves felt in the first three months of 1969 the cost of living in Chile went up by 14 per cent On April 1 1969 sugar prices went up by 32 per cent, that of gas by 15 per cent, etc A few months later prices of fish, vegetables, rice, fruit and a number of manufactured articles were also put up The escudo was devalued yet again at the end of July 1970, at the insistence of the IMF, bringing the rate of exchange down to 14 35 escudos to the dollar And only the Popular Unity Bloc government succeeded in stabilising the situation in a comparatively short period of time

In June 1966 India was also compelled to devalue[1] although as late as January 1966 she had still been standing out against the IMF and the World Bank's demands that she devalue As was to be expected devaluation of the Indian rupee did not provide a cure-all" as even Morarji Desai, former Minister of Finance, was bound to acknowledge[2] Admittedly India's trade deficit in the first post devaluation year shrank by 200 million dollars (from 1,293 million

[1] The value of the Indian rupee in relation to the dollar sank by 36 5 per cent, on June 6 a new rate of exchange was fixed 7 5 rupees to the dollar (see *The Financial Times* June 12, 1966)

[2] *The Mail*, Madras, March 23, 1967

to 1 092 million) yet this modest achievement was due not to expanding exports but to a curtailment of imports [1] As for India s exports during the twelve months in question they were cut by 206 million dollars (from 1 711 million to 1 505 million),[2] and from January 1967 onwards Indian exports were cut down steadily A similar tendency was to be observed in 1968 when Indian exports were curtailed by a further 300 million dollars On the other hand the devaluation of the rupee led to rising prices on the home market by an average of 15 per cent plus the figure for food prices being 26 2 per cent As a result of devaluation India became considerably more dependent on foreign aid and her external debt in 1967 alone increased by over 1 000 million dollars [3]

In 1967 the IMF and its missions went out of their way to persuade the Egyptian Government to devalue as a condition for deferring that country s payments to the Fund on previous loans However the Egyptian Government withstood this pressure President Nasser announced that his country would not pay interest on loans from the IMF the United States or any other country which tried to bring economic pressure to bear on Egypt After this refusal the directors of the IMF changed their tactics and attempted to place Egypt in financial shackles by a roundabout way in February 1968 Britain the FRG and Italy agreed to grant Egypt a loan which would enable her to pay the IMF the debts then outstanding on an earlier loan from the Fund (amounting to 47 million pounds) making it clear at the same time that only after that would the IMF be ready to grant Egypt a new loan of 60 million pounds An unwritten clause of this agreement was the stipulation on the part of the IMF and the countries mentioned above that Egypt should resume diplomatic relations with the

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[1] During the period in question Indian imports were cut by 407 2 million dollars from 3 004 500 000 dollars to 2 597 300 000 dollars

[2] There was a conspicuous cut in Indian exports in particular to Britain (by 300 million rupees) to the USA (by 300 million rupees) to the FRG (by 45 million rupees) and a number of other Western countries

[3] *Banque Mondiale et IDA Rapport annuel 1966 1967* p 35 *The Hindu* Madras March 1967

United States and withdraw her earlier accusations of Anglo American military support in the opening stages of the Israeli aggression in 1967[1]

In December 1970 an IMF mission demanded a new devaluation of the Ceylon rupee as a basic condition for its compliance with the request from the Ceylonese Government for a deferment of the payments on short-term loans from the Fund which amounted at that date to 421,700,000 rupees However, the Ceylonese Minister of Finance, Dr N M Perera, stood up to the Fund,[2] although the pressure it was bringing to bear on his government was so strong that in the opinion of many observers he would be obliged to submit sooner or later

The directors of the IMF and the World Bank often point out in their public statements that inflation in the developing countries is one of the obstacles impeding the inflow of foreign private capital into those countries Moreover, they often present themselves as opponents of inflation in these countries when they negotiate the terms of the loans they are to grant Yet there is insufficient evidence to support these assertions As indicated above it is first and foremost foreign investors who stand to gain from inflation This was admitted even by one of the leading IMF officers, Rudolf Rhomberg The IMF's own figures serve to demonstrate that inflation does not create serious obstacles for the penetration of foreign private capital Argentina, Brazil and Chile are examples of countries where inflation was high in 1954 63 and the figures relating to these three countries illustrate that the decrease in the inflow of foreign private capital in the years under consideration was negligible and the main reason for this decrease was the reinvestment on the spot by the foreign monopolies of a larger part of their profits accrued in these countries

The Venezuelan newspaper *Panorama* gave the following description of IMF policy and tactics in Latin America at the end of 1966. " American financiers who control and determine IMF policy keep a careful watch to see that the governments of these countries, when faced by a lack of

[1] *The Guardian*, February 20, 1968, p 1.
[2] *Ceylon Daily News*, December 7, 1970

Table 20

Foreign Private Investment in Three Developing Countries with High Inflation in 1951 63[1]
(millions of dollars)

	1951 53	1954 57	1958 63
Argentina			
Short term	882	398	484
Long term	1 583	253	1 330
Brazil			
Short term	1 901	1 118	783
Long term	2 146	1 097	1 089
Chile			
Short term	525	101	434
Long term	540	173	362

currency, brought about by that very same International Monetary Fund, and finding themselves in a desperate position turn to them for assistance Then North Americans demand the introduction of monetary reforms as a preliminary condition for such assistance They demand devaluation as an indispensable condition for the provision of a few million dollars in the form of loans Such devaluation is merely the prelude to subsequent devaluations and inevitably leads to rises in the cost of living and an inflation spiral '[2] This summary requires no amplification This is exactly the way in which the IMF behaves in relation to Brazil Argentina, Uruguay and other Latin American countries

The conditions put forward by the IMF before it grants loans to the developing countries are not confined to demands that they devalue their currencies Frequently IMF missions demand the introduction of *wage freezes* These missions

[1] Rudolf R Rhomberg "Private Capital Movements and Exchange Rates in Developing Countries" (*IMF Staff Papers* Vol XIII No 1, March 1966 p 2)

[2] *Panorama* December 12 1966

usually disguise this demand with references to one of the 'theories' of bourgeois political economy to the effect that high prices are meant to be the result of increased wages[1] The untenability of this "theory" has long since been demonstrated It is important on the contrary to point out that it is precisely devaluation, for which the IMF keeps pressing that constitutes one of the main causes of rising prices, particularly in those countries whose economies are extremely dependent on imports It must also of course be borne in mind that the IMF's demand for wage freezes is directed first and foremost towards securing maximum possible profits through the exploitation of the working people and advantages from inflation for the foreign monopolies These demands were put forward by IMF missions sent to Latin America, Ceylon and a number of other developing countries

In order to implant and consolidate capitalism and private enterprise in the developing countries, the IMF has ever more frequently demanded *elimination of 'artificial industry*', usually in relation to state enterprises and in particular those using imported raw materials IMF experts usually call such enterprises "artificial creations" in view of the fact that they cannot be supplied with local raw materials In an effort to hold back the development of the state sector of these countries' industries, IMF missions usually "recommend" to the governments of the developing countries that they *shut down these factories as unprofitable* IMF experts of course choose to "forget" that in the majority of the industrially developed capitalist countries, including the United States, Britain and Japan, many enterprises, and sometimes whole branches of industry, rely in part or even entirely on imported raw materials[2] Such "recommendations" have been made by IMF missions to the governments of Brazil, Argentina, India, Ceylon and certain other countries It is therefore hardly surprising that the developing countries regard such demands as an attempt to hold back the advance of their own young industries

[1] The so-called theory of price and wage spiral

[2] Frequently it is several times cheaper for these states to import raw materials from the developing countries than to extract and transport them within their own countries

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compromise", however, was to prove precarious, for the EEC countries, after agreeing to the proposal, demanded a radical reform of the IMF providing for the introduction of a gold standard and a consolidation of the international credit system to promote foreign trade. In this connection the French Minister of Economic Affairs and Finance Michel Debre pointed out that the "paper gold" plan could only prove effective after the elimination of deficits in the balances of payments of those countries whose currencies were being used as a reserve of the international monetary system, i e, Britain and the United States This approach to the question reflected a quite different explanation for the monetary crisis facing the capitalist world The crux of the matter was that the rate of increase in imports had already exceeded rates of increase in the official gold reserves of the capitalist world more than four times over, as a result of the fact that the extraction of gold had ceased to be profitable for all capitalist countries, with the possible exception of the Republic of South Africa The reason why the extraction of gold had ceased to be profitable could be explained by the United States' refusal to raise the price of gold which had remained at its 1934 level[1] and been approved as the world price in the Fund Agreement of 1944 Since that date, as a result of inflation in the United States and other capitalist countries, prices in the world market for many commodities had risen almost three times over The enormous military spending of the United States, that country's war in Indochina not only intensified the inflationary process in the United States but also accelerated the outflow of American gold abroad, above all to the Common Market countries, Japan and Canada In this situation the demand from the latter countries that the price of gold be put up, or it be removed from the world monetary system was perfectly logical Nor is it a coincidence that the European countries (apart from Britain) and Japan have demanded a more active role in the IMF The United States, in its turn, was not ready to agree to a rise in the price of gold, since this would mean in practice a devaluation of the dollar Such was the essence of the disagreement over monetary problems between

[1] 35 dollars an ounce or 1,125,000 dollars a ton

the major capitalist powers which testified to the fact that the dollar and the pound were no longer capable of providing the main monetary units in international transactions The London compromise in this situation could only be of short duration and was indeed only possible because the United States eventually agreed that Special Drawing Rights (from the newly created reserve fund paper gold) be controlled by the EEC countries on the same basis as by the United States and be subject to the veto of the EEC countries as well as that of the United States This claim of the Federal Republic of Germany France and other countries to an enhanced role for themselves in the affairs of the IMF bore out once again the conclusion drawn by Lenin that finance capital did not weaken but on the contrary intensified the differences in the rate of growth of the various parts of the world economy and consequently affected the balance of power in the capitalist world including that in the financial field [1]

Despite careful preparations in Rio de Janeiro where the 22nd Meeting of the IMF was held and despite reassuring statements issued by the US Secretary of the Treasury Henry Fowler the paper gold plan was not given complete and unanimous approval at that meeting As early as the second day of the meeting September 26 1967 sharp differences of opinion between the United States and the other powers came to light with regard to this plan indeed Fowler and Debre expressed diametrically opposed points of view on the very essence of the agreement reached in London and Fowler was to discover that Debre s point of view was supported to some extent by West German Minister of Economics Schiller Moreover Debre announced that the plan could only come into effect once there was no longer a deficit in the US and British balance of payments These differences of opinion led to the failure of the compromise plan to gain full approval and the 22nd IMF Meeting merely adopted a general resolution proposing that its executive bodies draw up a detailed draft of a new system of financing for further consideration by the governments of the IMF member countries by April 1 1968 In assessing the results of this

[1] V I Lenin *Collected Works* Vol 22 p 274

meeting it is important to stress that the controversy with regard to plans for 'reforming" the international monetary system raged between the leading donor countries of the capitalist world without the interests of the developing countries, who make up the majority of the IMF s members, being taken into account at all It is therefore not surprising that in the course of the meeting only some ten representatives of these countries showed any interest in the plan, realising only too well that it would be the rich nations which would avail themselves of the paper gold fund, since the allocations made from it would be in direct proportion to the amount of the original contribution made by the member countries However, those among them who did take part in the discussion of this subject expressed their point of view with a good deal of frankness The Malaysian Minister of Finance, Tan Siew Sin, for example, speaking on behalf of the Southeast Asian countries, stated that the IMF and the World Bank had shown themselves clearly incapable of finding a solution for the main problems faced by the developing countries and referred to these two institutions as a pool run by the rich in the interests of the rich Attempts on the part of representatives of the Western countries to prove that the introduction of Special Drawing Rights would, among other things, lead to an increase in the inflow of financial resources to the developing countries, did not convince the representatives of the latter The inconsistency of these arguments was singled out by Gunnar Myrdal in his book cited earlier in this study The reform of the monetary system is mainly a concern of the developed countries that dominate international financial relations The financial problem of underdeveloping countries is a totally different one These countries are bound to be short of foreign exchange under any system "[1] Nor did Fowler s attempt to gain the active support of the developing countries for the paper gold' plan succeed, when he started hinting that the United States was ready to make a large supplementary contribution[2] to the IDA fund, which grants credit on less onerous terms than the World Bank or the IMF, for

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[1] Gunnar Myrdal, op cit , p 305
[2] See *Washington Post*, September 27, 1967

not one delegation had any doubts concerning the true aims of this plan, namely to make up, at least partially the deficit in the US balance of payments at the expense of the other IMF members The results of this IMF meeting can therefore be seen to have provided still further confirmation of the fact that the international monetary system set up at Bretton Woods was going through a serious crisis and that the leading members of the Group of 10, despite profound differences of opinion dividing them, had nothing against overcoming these at the expense of the other members of the IMF, above all at the expense of the developing countries, who were the first to feel the disastrous results of this crisis and to bear the main brunt of it

The events that followed were to bear out this conclusion At the beginning of June 1968 the IMF Board of Governors approved amendments to the Fund Agreement which legitimised the "paper gold" plan elaborated during the meeting of the Group of 10 held in Stockholm on March 29 30, 1968 France objected to the introduction of Special Drawing Rights in the course of that meeting as well, maintaining that the paper gold" plan might perpetuate the deficit in the US balance of payments and fearing lest within 20 or 30 years a considerable part of the currency reserves of the IMF member countries might consist of those new liquid funds, the value of which might prove unreliable The French representative at Stockholm came out once more in favour of comprehensive reform of the monetary system on the basis of an increase in the price of gold"[1] and did not sign the communique issued at the end of that particular meeting of the Group of 10 The French representative also abstained during the voting on that question by the IMF Board of Governors Nor was much good expected to come from the 'paper gold" plan in Britain, where it was considered in financial circles that the introduction of this plan was no more than a "small, hesitant step along the road towards improving the world's credit system",[2] while the pound and the dollar would still remain vulnerable It was above all the Americans who were satisfied with the results of

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[1] *The Financial Times*, April 1, 1968, p 10
[2] *The Daily Telegraph*, April 1, 1968, p 14

meeting after a few minor amendments had been made However, it had been devised in the course of an unofficial meeting of representatives from the Group of 10 The official debates during the IMF meeting were concerned primarily with the functioning of the international monetary system and also questions relating to financial aid to developing countries

It should be pointed out in this connection that the adoption of the "paper gold" plan did not give those present at the IMF meeting any real confidence, and the majority of the speakers at that meeting expressed concern at the lack of stability in the international monetary system, while the representatives of the developing countries concentrated their attention once again on conditions pertaining to international trade, demanding that these be improved They also demanded improvements in the "average conditions for supplying aid", so that in the future aid should not be self consuming" The menace of such a state of affairs was indeed a very real one for instance in 1966 six of the 54 developing countries spent over 15 per cent of their total export earnings on paying interest on their external debts and the respective figure for the remaining developing countries was over 9 per cent This trend continued into 1967 and naturally cancelled any advantages to be gained from the 6 per cent increase in exports from the developing countries during the second half of 1967 and the first half of 1968 Another acute problem facing many developing countries at that time was inflation, in particular during 1968 for the countries of Latin America—one of the main centres for "fruitful" activity on the part of the IMF—above all Chile, Uruguay, Peru, Bolivia, Ecuador and Paraguay Inflation in Chile was also exacerbated by the devastating droughts which had been wreaking havoc with the country's economy In November of that year inflation in Chile exceeded 30 per cent It is not surprising that the rate of economic growth in that country did not even reach one per cent and that the retail trade figures were 20 per cent down on those for the previous year Many economists were of the opinion at that stage that 1969 would not see any growth in the Chilean economy either, but rather colossal capital expenditure, growing inflation and devaluation.

In Brazil inflation had reached 24 per cent by the end of 1968 and showed no signs of decreasing in the course of November alone wholesale prices went up by 23 4 per cent Despite cuts in government expenditure on public works, and in the size of the civil service, the Brazil state budget for 1968 showed a tremendous deficit, and the cruzeiro was devalued on a number of occasions in the course of 1968 and then again in 1969 The rigid economic controls introduced in Argentina yielded pitiful results as well inflation was not averted and it had reached 10 per cent by the end of 1969

In their search for "cheering prospects" in Latin America the directors of the IMF made much of the 'flourishing economy" of Venezuela It should be remembered however that the main source of this country's revenues is oil, sales of which enabled the country to increase its monetary reserves by 865 million dollars in 1968 By way of encouragement" the IMF declared the Venezuelan bolivar to be hard" currency However, it was a secret for no one that Venezuela's 'success" could be explained by favourable circumstances, stemming from the closure of the Suez Canal as a result of Israel's aggression which had led to a drop in supplies of Middle East oil on world markets

The representatives of the richer countries concerned with gold problems remained deaf to the just demand put forward by the developing countries in the course of the 23rd IMF Meeting. Yet the upshot of the 'international monetary week" (the 23rd IMF Meeting), as aptly noted by the well-known French observer Genevieve Tabouis, was yet another failure to produce any results in the direction of genuine reform concerning the very essence of the international monetary system [1] The representatives of France, the Republic of South Africa and some other countries again called for a return to a real standard, i e , gold, for international transactions This meeting demonstrated therefore that "paper gold" was in no position to replace the real thing and that the basic problems and weaknesses of the international monetary system remained unchanged,

[1] See *Paris Jour*, October 4, 1968.

which meant that the critical situation fraught with the danger of new outbreaks continued.

The capitalist monetary system was hit by another crisis in 1969, and this time it also affected the French franc which was devalued in March. This move once again set off a chain reaction, as the fall in the exchange value of the franc was followed by a sharp drop in the exchange value of the pound and yet another leap in the price of gold. This new outbreak of panic on the stock exchange was caused not so much by the growth in the strike movement in France as by discussion in the FRG of a possible change in the exchange value of the West German mark, in relation to which the franc had been growing steadily weaker. On May 8, 1969 the French Government announced an increase in its discount rate on short-term foreign credits from 3 per cent to 4 per cent after taking several other steps to protect the franc, including measures to check the outflow of capital to the Federal Republic of Germany. However, the outflow of capital to the FRG from both France and Britain continued as before. Once again reports appeared in the press presaging possible devaluation of the franc and the pound.[1] Other signs that a new monetary crisis was in the offing were the rapid increase in discount rates, a steep drop in the exchange values of shares and other securities on the stock exchange, rising prices in Britain, the United States and France and the constant deficit in the American and British balances of payments. A marked deterioration in the position of the franc compelled the French Government not only to devalue[2] but also to accept the "paper gold" plan and an increase of 6,000-7,000 million dollars in the IMF reserves that had been agreed on during the meeting of the Group of 10 in Paris in July 1969. The overall total of the "paper gold" reserve (Special Drawing Rights) had been fixed at 9,500 million dollars during that meeting. This meant that the IMF's reserves had now been increased to 37,000 million dollars. The American financial circles welcomed this "pact of the Ten" considering that it would help check inflation in the country.

1 See *The Financial Times*, May 12, 1969.
2 The decision to devalue was announced on August 8, 1969.

Before the 24th Meeting of the IMF Board of Governors (September 29 October 3, 1969) the Fund's annual report was published in which it was pointed out that the main cause of the financial and economic difficulties in the capitalist world was the inflation in the United States Britain France and a number of other countries and that the failure of the attempt to check that inflation had been the biggest disappointment of the year' On September 23, 1969 Schweitzer, the IMF Managing Director, announced that he would put before the meeting a plan for using the paper gold reserve during the first year (starting from January 1 1970) when drawings would be registered in a special account opened for the purpose in the IMF books On October 3 1969 the Board of Governors adopted resolution No 24 12 according to which SDRs were to be allocated to member countries totalling 9,500 million dollars for a first basic period of three years (1970-72) [1]

Immediately after the devaluation of the franc had been announced the French Government turned to the IMF for a new loan and on September 3, 1969 introduced a number of economic measures proposed by the Minister of Economic Affairs and Finance, Giscard d'Estaing, aiming at the following to achieve a complete balance of state expenditure and revenue by January 1, 1970, to balance production, consumption and capital investment by April 1 1970, to balance imports and exports by July 1, 1970 Nevertheless this did not put a stop to panic in the monetary markets The next threat to the franc also came from the direction of Bonn, where there was again talk of revaluing the mark which would inevitably affect the franc The exchange value of the French franc despite devaluation (August 8, 1969) continued to fall on many stock exchanges Rumours of a revaluation of the mark on the other hand sent up the selling price of the mark in banks and currency exchange centres to approximately 7 or 8 per cent above its official exchange value and this in its turn led to a further outflow of capital from France Soon the rumours were borne out by

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[1] *IMF Summary Proceedings 1969 Annual Meeting of the Board of Governors*, pp 326 27 See also *IMF Introduction to Special Drawing Rights*, Washington, D C, March 1970, pp 5 6

an official announcement in Bonn where meetings to discuss this question with the other members of the EEC monetary commission were held in the second half of October The market price of the West German mark continued to rise thus undermining more and more the currencies of other countries, including the dollar by October 15 one dollar cost 3 726 marks and continued to fall in price for several days afterwards, until the price of the mark reached its highest level since September 30 when its "free" exchange rate had been introduced On October 26, 1969 the Government of the FRG revalued the mark, putting its exchange value up by 9 3 per cent [1]

It was in this turbulent period that the 24th Meeting of the IMF Board of Governors opened on September 29 1969 The directors of the Fund went out of their way to see that the meeting should approve the Group of 10 'pact for the introduction of "paper gold" while shelving for the time being recommendations drawn up by IMF experts for "new initiatives" and a serious new approach" to problems connected with the granting of financial aid to developing countries

Despite the differences between the leading IMF members the meeting approved measures recommended for the 'paper gold" plan by Director Schweitzer which saved the United States from having to devalue the dollar or agree to an increase in the price of gold, although this was clearly a temporary measure which did not touch the roots of the problem As for the question of 'aid" to the developing countries the meeting did not adopt any resolutions, confining itself to discussion of the matter The introduction of the "paper gold" reserve and other measures in the course of 1969 by the leading IMF member countries made possible a temporary 'balance of world money" These measures were, however, inadequate to remove the main causes behind the crisis of the capitalist monetary system Although there followed a certain drop in the price of gold, as was observed in money markets in November 1969 and which reflected an improvement in the correlation between the exchange values of world currencies, constant factors (such

[1] *IMF, Annual Report 1970*, p 85

as the deficits in the US, British and French balances of payments, inflation in these and other countries and (in artificially high exchange value of the dollar in relation to gold) still applied. This meant the "renewed confidence in world currencies" could only be temporary. *The New York Times* assessed the financial and monetary problems of the capitalist world in the following terms: "The negotiations that led to the creation of Special Drawing Rights were long and difficult. But they might appear child's play against the difficulty that would lie in the path of trying to coordinate the rates of inflation in, say, the United States, Great Britain, France and Germany [the FRG.—*V.V.*]." [1] In other words the solution for the problem required more than attempts to make the economic situation fit the exchange values of the leading currencies, but rather to see that the latter corresponded to the actual economic situation. Events in 1970 and subsequent years confirmed that if the real situation was not taken into account then any attempts on the part of the major powers to overcome the crisis in the capitalist monetary system could never achieve more than a temporary lull. The monetary war, now and then coming out into the open, went on as before. The European countries had hardly had time to recover from the repercussions of the revaluation of the West German mark when there was a talk of a similar measure with regard to the Swiss franc in February 1970 which had also been growing conspicuously stronger. Not long afterwards, at the beginning of 1971 there was also talk of a possible revaluation of the Japanese yen. [2] Despite the introduction of "paper gold" and other measures undertaken by the US Government in order to consolidate the dollar, its position, particularly in Europe, was clearly insecure. Commenting on this fact *The New York Times* wrote in July 1970 that there was no confidence in the dollar and that it was becoming more attractive for the West European countries "to move out of dollars into the strong European currencies". [3] Meanwhile the outflow of dollars overseas continued, including close on 14,000 mil-

[1] *The New York Times*, November 11, 1969, p. 42.
[2] *The Far Eastern Economic Review*, Hongkong, March 6, 1971, pp. 19-21.
[3] *The New York Times*, July 3, 1970, p. 33.

an official announcement in Bonn where meetings to discuss this question with the other members of the EEC monetary commission were held in the second half of October The market price of the West German mark continued to rise thus undermining more and more the currencies of other countries, including the dollar by October 15 one dollar cost 3 726 marks and continued to fall in price for several days afterwards, until the price of the mark reached its highest level since September 30 when its "free" exchange rate had been introduced On October 26, 1969 the Government of the FRG revalued the mark, putting its exchange value up by 9 3 per cent [1]

It was in this turbulent period that the 24th Meeting of the IMF Board of Governors opened on September 29, 1969 The directors of the Fund went out of their way to see that the meeting should approve the Group of 10 'pact" for the introduction of "paper gold" while shelving for the time being recommendations drawn up by IMF experts for new initiatives' and a 'serious new approach" to problems connected with the granting of financial aid to developing countries

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[1] *The New York Times*, November 11, 1969, p 42
[2] *The Far Eastern Economic Review*, Hongkong March 6 1971, pp 19-21
[3] *The New York Times*, July 3, 1970, p 33

lion a year for the maintenance of US foreign bases and US troops. In European financial circles there was again talk of the weakness of the dollar and the pound and the "strength" of the West German mark, the Swiss franc and the Italian lira. In September 1970 there was a further decline in the exchange value of the pound and the dollar to be observed on West European stock exchanges. Again demands were put forward for a devaluation of the dollar, by at least 30 per cent because the parity values of the currencies and the price of gold laid down in the Fund Agreement did no longer correspond to what they were at the time. In a speech of July 2, 1970 French President Georges Pompidou stated openly at a press conference that the American dollar was not a "stable value" because of American balance of payments difficulties and inflation; at the same time he went on to point out that there was "no question of making war on the dollar because the ensuing crisis would be a catastrophe for all nations".[1] Pompidou again stressed France's advocacy of the creation of a "European monetary pole" to counter the dollar. This question was the main topic of discussion at EEC talks in September 1969 in The Hague during which the EEC heads of government adopted a resolution calling for the elaboration by the end of 1970 of a plan for a European monetary union. Meanwhile France adopted a number of measures aimed at consolidating the position of the franc in both Europe and the franc area. In September 1970 a meeting for the finance ministers from the franc area[2] was held in Paris in order to elaborate a general policy in preparation for the next IMF meeting to take place September 21-25 of that year. At that meeting the French Minister of Economic Affairs and Finance, Giscard d'Estaing, announced the creation of a French national system of guarantees for private investment in "French" Africa and Madagascar.

Such was the prelude to the 25th Annual Meeting of the IMF Board of Governors held in Copenhagen (September 21-25, 1970) at which 116 countries were represented. The main

[1] *The New York Times*, July 3, 1970, pp. 33, 35.
[2] The franc area incorporates 14 African countries, former French colonies, and the Republic of Malagasy.

topics for discussion on this meeting's agenda were the inflation then rampant in the United States and the majority of the other countries of the capitalist world and the continually increasing deficit in the US balance of payments as was noted both in the IMF annual report[1] and in the opening address by Pierre Paul Schweitzer the IMF chief This meeting was the first to be held after the introduction of the Special Drawing Rights[2] which as was to be expected did not get rid of the main causes of 'unstable currencies" or serve to combat inflation The main subject of the speeches delivered by the ministers representing the leading IMF member countries was inflation, which they admitted had not been overcome in their own countries and the French Minister of Economic Affairs and Finance, Giscard d'Estaing stressed in his speech that the inflation which had now affected many countries was a result of inflationary processes in the United States At the meeting it was also noted that the economically weak developing countries suffered particularly from inflation The problem of unstable currencies was also given an important place on the agenda for the meeting, at which a number of proposals were discussed specially designed to secure greater flexibility' of the monetary system through the introduction of rates promoting freer exchange of currencies, in other words by allowing the IMF member countries greater freedom to raise or lower the exchange values of their currencies This decision was given particularly active support by the FRG and Italy France while not objecting to a study of such a possibility, came out against a review of the rules laid down by the IMF until the EEC should have set up its own monetary union, after which changes in the exchange values of all the EEC member countries currencies should not be introduced singly but simultaneously with parallel changes in all the other currencies The meeting in the final analysis did not adopt any decision on this point An important new step was the IMF s decision that the USA should settle part of its balance of payments deficits by paying out gold

[1] *IMF Annual Report 1970*, pp 74 78

[2] In 1969 IMF issued the first batch of 3 500 million dollars worth of SDRs which was put out to 104 IMF member countries on January 1, 1970

and other monetary reserves rather than by having other countries pile up dollars" [1] Equally important was the admission in Schweitzer's speech to the effect that the existence of "paper gold" gave rise to new problems, one of which was the impossibility of calculating the right amount of SDRs to create in the interest of world economic expansion without too much inflation, if the amount of dollars in other countries' reserves were to rise without any kind of prediction or control Schweitzer also stressed the importance of achieving an improvement in the US balance of payments for the functioning of the monetary system In its commentary on Schweitzer's address *The New York Times* wrote that "this was taken by some United States officials as an invitation to other countries to resume cashing any 'excess' dollars for gold or American held SDRs" [2] The results of the IMF meeting testified to the fact that the crisis of the imperialist monetary system was by no means over At the beginning of 1971 American dollars started flooding into Western Europe when panic at inflation again gripped the United States The French paper *La Nation* printed an article commenting on the situation with the revealing heading "How much longer will Europeans see themselves bound to protect them without converting them into gold?"[3] which renders explanation superfluous At that time opinions were being voiced to the effect that only the backing of large international financial groupings could make it possible to avoid a serious crisis for the dollar In reply as it were to the question put by *La Nation*, *The New York Times* wrote "The Europeans are reluctant to demand American gold, realising that any massive withdrawals from Fort Knox would probably be met by the formal suspension of gold convertibility"[4] And this in turn, would inevitably play havoc with the capitalist world's monetary system

The enormous deficit in the US balance of payments compelled the United States as early as March 1971 to start talks with the Federal Republic of Germany on a new agreement for compensation payments for the maintenance of

[1] *The New York Times*, September 22, 1970 p 61
[2] Ibid
[3] *La Nation* February 25, 1971, p 6
[4] *The New York Times*, March 1, 1971, p 43

American troops in the FRG, that costs over 1 000 million dollars annually. Relevant in this context is the fact that by mid March of that year the FRG had become the largest creditor of the capitalist world: her currency reserves amounted to 56,000 million marks (15 360 million dollars) or almost 1 000 million dollars more than the United States' reserves and by the beginning of May these reserves amounted to 75 000 million marks. In the course of that year alone (from the end of January 1970 to the end of January 1971) West German currency reserves almost doubled showing an increase of 30 000 million marks (8 179 million dollars) while the United States' assets fell from 17,396 million to 14,699 million dollars over the same period. Western Europe again started complaining about the "weakness of the dollar" which was flooding her central banks, being unwilling to remain reconciled ad infinitum to the inflationary pressure of the American dollar.

This all demonstrated that the measures taken within the IMF framework, including the introduction of Special Drawing Rights, were insufficient to avert the crisis facing the capitalist monetary system. On this occasion the "main yardstick" in international transactions was proving precarious, namely the American dollar, which was now clearly unsure of its pedestal and 1971 witnessed a major dollar crisis. This situation has nothing accidental about it whatsoever, for the position of any currency in the capitalist world is determined first and foremost by the condition of a country's balance of payments, the purchasing power of that currency on the domestic market and also the attitude towards it on the part of foreign holders. The United States enjoyed considerable surpluses in its trading figures and balance of payments during the early post war years (1946 49). However by 1950 when the war in Korea not only brought shame to America but also incurred considerable expense, the US balance of payments started to show a deficit which in the period 1950 57 grew to the total of 10 000 million dollars. As pointed out earlier this deficit remained with the USA in the years that followed, growing all the time. In 1970 it exceeded 10 000 million dollars and by mid 1971 it had reached 11 500 million dollars, for the period 1950 71 it totalled over 60 000 million dollars

The main cause of this deficit was the United States' tremendous overseas military spending including the expenses incurred by the war in Indochina While previously part of this expenditure had been covered by the surplus in the US trade balance this source was also exhausted, for in 1971 the United States experienced its first trading deficit since 1893 The same year had also seen a significant drop in the United States gold reserves, which by July 1971 were estimated at a mere 10 300 million dollars

If it is taken into consideration that the United States' foreign debt totalled 50 000 million dollars by mid 1971 (as an accumulation of money in the central banks of the West European countries including close on 15,000 million dollars in the FRG close on 4,000 million dollars in Italy, and also nearly 8 000 million dollars in Japan and about 3 000 million dollars in Canada), then it is obvious that, if these countries were to exercise their right to demand gold in payment for that mass of dollars, the United States' gold reserves at that date would not have been sufficient to cover these debts which represent as it were loans granted to the United States at a preferential rate for the amount indicated

Other factors which had influenced the state of the US balance of payments were the broad expansion of American capital as illustrated in previous chapters, a fall in industrial production growth rates (which over the last 15 20 years had not on average exceeded 3 4 per cent a year) fiercer competition from the EEC countries and Japan in world markets, and growing inflation at home The purchasing power of the dollar in the post war period had fallen to roughly a third of what it had been The internal state debt already exceeded 400 000 million dollars, and the amount of money circulating in the country had nearly tripled reaching a total of 215,000 million dollars It was precisely in the light of these developments that there had arisen a large gap between the purchasing power of the dollar on the home market and abroad that intensified the dollar drain" which in its turn disrupted international monetary markets The accumulation of enormous amounts of paper dollars in Western Europe eventually led to the creation of a Eurodollar" market It is primarily these Eurodollars

that provide "migratory capital" or 'hot money" that is instantaneously channelled to wherever there are high rates of interest to be had, converted into currency with a stable exchange value or an exchange value which has a good chance of going up

In May and June 1971, the dollar drain" assumed enormous proportions, and dollars were flooding into the FRG, Switzerland, Japan and a number of other countries On May 5 the central banks of these countries put a stop to such purchases in order to alleviate the pressure of speculative dollar capital Reassuring announcements on the part of the US Secretary of the Treasury, John B Connally that the United States was ready to buy up Eurodollars reassured no one As a result there was a sharp rise in the price of gold on international monetary markets and the exchange value of the dollar fell to its lowest level ever, while the exchange value of the West German mark rose steadily The situation was aggravated still further by rumours of a devaluation of the dollar and a revaluation of the mark [1] Soon afterwards the governments of the FRG and the Netherlands at the insistence of the United States, which at that stage was still refusing to devalue the dollar, and also so as to protect themselves from growing inflation, including that imported together with the flood of dollars, introduced a floating rate for the guilder and the mark, while the Swiss and Austrian governments revalued their currencies, reducing the exchange value of the dollar in relation to their currencies The introduction of this floating" rate for the mark showed just how far the dollar had fallen its exchange value vis-a-vis the mark had dropped from 3 64/3 68 down to 3 30/3 35 Matters reached such a pass that American tourists in European capitals found their dollars being rejected even at the most disadvantageous rate of exchange

The US Government adopted emergency measures as *announced by President Nixon on August 15, 1971 in a* speech on nation wide radio and television (a stop to the exchange of dollars for gold, the introduction of a 10 per

[1] See *The New York Times*, May 5 1971, *IMF 1971 Annual Report*, pp 3 5, 9, 11, 21 23

cent import surcharge, a 10 per cent cut in economic aid to the developing countries, a wage freeze and higher prices on the home market, etc) The government, however, did not cut down on its military spending or restrict the export of private capital or freeze monopoly profits. The measures introduced on this occasion were an attempt to consolidate the dollar at the expense of the American people and also at the expense of other countries, US trading partners, including developing countries, aid to which was cut by 300 million dollars

Despite the insistent demands on the part of the West European countries, Canada, India and a number of other countries the United States refused for a long time to revoke the 10 per cent import surcharge Of interest are also measures adopted by a number of developing countries which naturally were the greater loosers, for with regard to their commodities there had already existed a considerable number of restrictive and discriminatory rulings (as outlined in detail in Chapter I) Banco Central de Chile, for example, decided to conduct its trade dealings not in dollars in future but in some currency "not affected by the present crisis". Venezuelan banks halted all transactions involving the sale of European currencies in an effort to get rid of their dollars (Venezuela's losses from trade with the USA during 1970 alone, as announced by the President of the country's Central Bank, amounted to close on 700 million dollars) An important development in this context is the fact that all the Latin American countries elaborated a common policy demanding the creation of an international monetary system which would not be dependent on the financial fluctuations in any particular country, as was demonstrated to be the case by the results of the 10th Meeting of representatives from the central banks of that continent held in Caracas at the end of November 1971.

Despite the above measures it soon started to look as if the deficit in the US balance of payments for 1971 might top the 20,000-million mark while prospects for improved balances of payments were promising for Japan, France, the FRG and Britain [1] The United States' refusal to make

[1] *IMF. 1971 Annual Report*, p. 10.

any concessions to her trading partners (the EEC countries, Britain, Japan and the Latin American countries) gave rise to demands on their part for a devaluation of the dollar Relations were particularly tense between the USA and the Common Market countries on one hand and Japan on the other, as emerged from the 8th Meeting of the Japanese American Joint Commission for Trade and Economic Co operation (held in Washington September 9 10 1971) After the meeting was closed Rogers announced that both sides would continue their competition in the future, while in Japan there began open discussion of a review of the special relationships" that had grown up between the USA and Japan since World War II[1]

The position taken up by the EEC countries, and Japan who were all demanding a reform of the monetary system a 10 per cent devaluation of the dollar and abolition of the 10 per cent surcharge on imports was bound eventually to cause alarm in the United States[2]

The initial reaction of the West European countries and Japan to the measures taken by the US Administration can be summarised as follows

(1) The countries of Western Europe Canada and Japan adopted a number of measures to protect their economy from invasion by new masses of depreciated (by approximately 6 per cent) dollars including the introduction of a free rate of exchange for their own currencies

(2) The EEC countries (in particular France and the FRG) succeeded in settling their differences in their eagerness to evolve a European stand on this question and at that time rejected the American demand to revalue their currencies in order to save the dollar"

(3) Japan and Britain although with some reservations, gave their general support to the position adopted by the EEC countries

Despite the United States' strong position in the IMF, a week after the announcement of the Nixon programme' the Fund published a statement pointing out that these actions of the United States represented a violation of its

[1] *US News and World Report* October 11, 1971

[2] *Washington Post* September 10 1971 *US News and World Report*, October 4, 1971

obligations to the IMF, insofar as they virtually meant a departure from the parity of the dollar in international transactions stipulated by the Fund and the other rules laid down in the Fund Agreement At the same time Schweitzer sent a telegram to the IMF member countries making it clear that if no steps were taken in the immediate future, world monetary and trade relations would be in a state of utter chaos The publication of this telegram was followed by an announcement from Schweitzer at a press conference on September 26, 1971 to the effect that the goal of restoring a stable monetary system could be achieved by increasing the price of gold This announcement of Schweitzer's was interpreted by the American press as a demand to devalue the dollar [1] Schweitzer's announcement also contained an appeal to the United States to revoke the 10 per cent import surcharge

A meeting of finance ministers from the Group of 10 was held in London on September 15 16, 1971 at which the EEC ministers reiterated their earlier demands The Japanese and British ministers supported their colleagues from the Six while making certain reservations However, the meeting did not reach any decision in face of the position adopted by the US Secretary of the Treasury, John B Connally

It was in this atmosphere that the 26th Meeting of the IMF Board of Governors was opened in Washington on September 27 1971 The day before, another meeting of the ministers from the Group of 10 had been held at which it had been decided that in order to "alleviate the chaos' resulting from the 'Nixon programme" the following resolutions should be worked for

(a) the establishment of temporary fixed rates for the principal currencies (on the basis of a free exchange rate for currencies) until 'constant" rates determined by developments during the transition period are established,

(b) an interim establishment of wider margins for the fluctuation of exchange values than those laid down in the IMF Articles of Agrreement (one per cent either way),

(c) abolition by the United States of its 10 per cent surcharge on imports

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[1] See *International Herald Tribune*, Paris, September 27, 1971.

It should be noted that at this meeting Connally was obliged to defend his position, as emerged quite clearly from statements by other members of the Group of 10 interviewed on television after the meeting. The Canadian minister Edgar Benson, for example, emphasised the urgency and immediacy of the situation by warning that unless the crisis was resolved soon "a sort of trade war will emerge" with countries "erecting artificial barriers" to trade, as had happened during the depression in the thirties which had led to a "restriction of world trade" and greatly damaged all nations. Meanwhile the Italian Finance Minister Mario Ferrari-Aggradi remarked on the necessity for an increase in the price of gold (as compared with the limits laid down in the IMF Articles of Agreement relating to that question). Indeed all members of the Group of 10, with the exception of Connally, came out with a similar demand.[1] The stand adopted by the "Nine" also found expression in the speech made by the Managing Director of the IMF at the opening of the 26th Meeting of the Fund's Board of Governors on September 27, 1971. Schweitzer stressed that a continuation of the present deadlock was fraught with very real danger and not only with regard to international trade. After admitting that the United States' position was indeed extremely difficult, Schweitzer nevertheless reminded the USA that trade and payments must be based on norms of conduct agreed on and observed by all, stressing the need for a rapid restoration of principles of law to ensure regular and just international economic relations. After noting that the main cause of the crisis was the enormous deficit in the US balance of payments, Schweitzer pointed out the imperative need for a common international approach in order to avoid serious chaos in international financial and trade relations and that as a result of the dollar crisis changes had taken place which may well prove irreversible. Schweitzer singled out as the first priority task the creation of a new system of exchange rates and the abolition by the United States of the imports surcharge, stressing in particular that he was extremely alarmed at the effect the present situation is having on the developing

[1] Ibid.

countries since it was creating a new and serious obstacle in the face of the efforts being made in the sphere of development by these countries which are already obliged to reconcile themselves to the consequences of the American surcharge on imports and cuts in American aid.

Despite certain nuances and reservations the ministers from France, the FRG, Britain, Japan, Canada and a number of other countries supported Schweitzer's proposal: they came out more openly and insistently with demands for an increase in the price of gold, i.e., indirectly for a devaluation of the dollar. Connally still persisted in his opposition to this proposal, declaring that "a change in the price of gold is of no economic significance and would be patently a retrogressive step in terms of our objective to reduce, if not eliminate, the role of gold in any new monetary system".[1] Nor was Connally prepared to agree to an immediate abolition of the surcharge on imports. In an attempt to oblige the United States the Dutch Finance Minister Nelissen suggested a compromise solution the gist of which could be summed up as follows: a de facto devaluation of the dollar to the level to which its exchange value with regard to other convertible currencies would sink on the free market, after which new rates of exchange should be established for these currencies in relation to each other but not in relation to gold, which in practice meant a deferment of formal devaluation of the dollar, yet at the same time in the final analysis it signified a revaluation of the other currencies. To a certain extent the Finance Minister of the FRG, Schiller, also supported Connally's position insofar as he promised a "sensible contribution" to a solution of the problem on the part of his country, although he too, albeit indirectly, pointed to the necessity of increasing the price of gold, i.e., devaluing the dollar, and subsequently establishing new parity rates. The upshot of all this was that the meeting did not take any conclusive decisions on these problems. Discussions, however, showed that the crisis of the capitalist monetary system had assumed a protracted character and had most likely entered its decisive stage. The crisis had shown that

[1] See *International Herald Tribune*, Paris, October 1, 1971.

the Bretton Woods system was no longer relevant to the current situation. Clearly the time was not far off when the whole monetary system of the capitalist world would have to be radically reviewed.

Under the impact of these developments in the United States, in late November and early December 1971 active discussion of a plan for temporary regulation of the monetary crisis began. According to this plan the United States should devalue the dollar and its partners accordingly raise the parity value of their currencies; for a time the dollar should remain nonconvertible, while the United States in its turn should abolish the 10 per cent surcharge on imports The plan contained no reference to any increase in the price of gold.[1] However, it was only discussed on an unofficial basis. The official US position, as expounded by Connally at the next meeting of the Group of 10 (Rome, November 30-December 1, 1971), was as follows: the United States insisted on an average weighted revaluation of the exchange values of the currencies of its main trading partners promising in return to abolish the 10 per cent surcharge on imports. However, Britain and the Six also refused to make any concessions declaring that any solution of the problem must provide for an official devaluation of the dollar, and the French Minister of Economic Affairs and Finance Giscard d'Estaing called attention to the fact that when Britain and France had found themselves in similar situations they had been given no respite but obliged to devalue.[2] The ministers were unable even to issue a joint communiqué at the end of the meeting, leaving decisions on this acute problem to their heads of state.

Further deterioration in the economic position of the United States finally forced the US Government to devalue the dollar and abolish the import surcharge, a move also demanded by the 90 developing countries, who on November 29, 1971 submitted a draft resolution on this question to the UN General Assembly.[3]

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[1] See *The New York Times*, November 28, 1971.

[2] See *The Financial Times*, December 1, 1971.

[3] See *Le Figaro*, December 1, 1971; *The Times*, December 3, 1971, *Washington Post*, December 5, 1971; *The New York Times*, December 6, 1971.

Thus the monetary system of the capitalist world as provided for in the Bretton Woods agreements had at last been challenged as was confirmed during Nixon s meeting with Pompidou (in the Azores) in mid December 1971 and also at the following meeting of the Group of 10 in Washington In the course of his meeting with the French President Georges Pompidou President Nixon agreed to the devaluation of the dollar in the context of a general levelling out of the parity values of the major currencies Although this step was inevitable since as regards its purchasing power the dollar had practically been devalued 8 per cent before President Nixon set off for the Azores a shockwave ran around the world with the realization that the dollar would be formally devalued for the first time since President Roosevelt s devaluation at the bottom of the Depression [1] The joint declaration by Nixon and Pompidou on the devaluation of the dollar represented a political victory for France who from the very beginning of the monetary crisis had demanded a contribution from the United States towards its settlement The United States had been compelled to acknowledge that the dollar was no longer the unique and dominant currency in the capitalist world and that the dollar could be devalued or revalued like any other currency The American press wrote in this connection that the days of the so called dollar standard are numbered [2] President Nixon met the demand for the abolition of the 10 per cent surcharge on imports and other protectionist measures introduced by the US Government on August 15 1971 However it would be wrong to overestimate this defeat of the United States for in the course of the talks in the Azores and subsequent meetings between representatives of the United States and its European and Japanese partners the Americans did persuade them to revalue their currencies increase their contributions to NATO and make certain trading concessions to the USA

The agreement between Nixon and Pompidou provided the basis for the subsequent talks between the finance

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[1] *The New York Times* December 15 1971 p 34

[2] Ibid see also *Washington Post* December 15 1971 and *New York Daily News* December 15 1971

ministers of the Group of 10 in Washington (December 17 18, 1971) The essence of the points agreed on can be summarised as follows the United States was to abolish the import surcharge and tax rebates stemming from and to devalue the dollar, while at some later stage the EEC countries, Canada and Japan would make a number of trading concessions to the United States and revalue their currencies The changes in exchange rates against the dollar would come into effect immediately (once money markets were reopened after a temporary closure), while the devaluation of the dollar in relation to gold, the price of which would be increased from 35 to 38 dollars a troy ounce would come into effect once the trade talks between the United States and the 'Nine' had resulted in the necessary US Congress resolution On December 18 1971 Nixon announced in Washington in the presence of the finance ministers and the directors of the central banks from the Group of 10 that these talks would take place, welcoming at the same time the agreements already reached [1]

In the communique later issued by the Group of 10 it was announced that the Group of 10 countries would themselves adjust the parity values of their currencies in relation to the dollar as illustrated in Table 21

Did this mean that the problems leading to this acute crisis of the capitalist monetary system had been solved? The finance ministers of the Group of 10 made an official announcement expressing their satisfaction with the results achieved, referring to the decisions adopted at the Washington meeting as 'historic" Representatives of financial and business circles, however, expressed doubts concerning the stability, and still more the adequacy, of these decisions In an assessment of the latter *Le Monde*, echoing the mood of the French business world, had the following comment to make The system conceived at Bretton Woods has collapsed and that which is to be put in its place looks like a provisional measure "[2]

The fact that the contradictions within the Group of 10, or rather between the United States and the other nine

[1] See *The New York Times* December 19, 1971, *The Financial Times* December 20, 1971

[2] *Le Monde*, December 21, 1971, p 1

Table 21

New Rates of Exchange Announced in Accordance with the Washington Agreement[1]

Currency	New Rate	Old Rate	Change as Percentage
Pound sterling*	2.6057 dollars	2.40 dollars	Devaluation of the dollar by 7.89 per cent (revaluation of the pound by 8.57 per cent)
US dollar	3.223 West German marks	3.66 West German marks	Revaluation of the West German mark by 13.57 per cent
US dollar	308 yen	360 yen	Revaluation of the yen by 16.88 per cent
US dollar	5.55419 French francs	5.11570 French francs	Revaluation of the French franc* by 8.57 per cent
US dollar	620 Italian liras	568 Italian liras	Revaluation of the Italian lira by 7.48 per cent
US dollar	44.81 Belgian francs	50 Belgian francs	Revaluation of the Belgian franc by 11.5 per cent
US dollar	1.006 Canadian dollars**	0.925 Canadian dollar	
US dollar	Dutch guilder		Revaluation of the guilder by 11.5 per cent
US dollar	Swedish krona		Devaluation of the Swedish krona by 1 per cent
US dollar	3.84 Swiss francs*	4.373 Swiss francs***	Revaluation of the Swiss franc by 13.9 per cent
US dollar	23.30 Austr. schillings	24.75 Austr. schillings	Revaluation of the schilling by 6.22 per cent

[1] See *The New York Times*, December 19 and 22, 1971, *The Financial Times*, December 20, 1971.

Continuation

Currency	New Rate	Old Rate	Change as Percentage
US dollar	4 100 Finnish marks****		Devaluation of the Finnish mark by 2 4 per cent
US dollar	South African rand		Devaluation of the rand by 12 28 per cent*****
US dollar	Australian dollar		Revaluation of the Australian dollar by 6 32 per cent*)
US dollar	Spanish peseta		Revaluation of the Spanish peseta by 8 57 per cent**)
US dollar	New Zealand dollar		Devaluation of the New Zealand dollar by 1 75 per cent
US dollar	4 40 Venezuelan bolivar	4 48 Venezuelan bolivar	Revaluation of the bolivar by 2 46 per cent

* The exchange value of the British pound, the French and the Swiss franc in relation to gold did not change
** Freely fluctuating rate
*** In comparison with the rate valid until May 9, 1971
**** Temporary rate
***** In relation to gold
*) Insofar as the Australian dollar was adjusted to match the US dollar as opposed to the British pound, in practice this meant a devaluation of the Australian dollar in relation to the British pound
**) A new rate was fixed 65 9 pesetas to one American dollar Changes in the rate of the Spanish peseta in relation to other currencies were as follows *revaluation* of 1 per cent in relation to the Italian lira, of 1 5 per cent in relation to the Swedish krona, and also in relation to the currencies of Austria, Denmark, Norway, Switzerland and Portugal, *devaluation* of 7 66 per cent in relation to the Japanese yen, of 4 61 per cent in relation to the West German mark and 2 76 per cent in relation to the Dutch guilder and Belgian franc, the exchange rate of the peseta in relation to the pound sterling and the French franc remained unchanged

Table 21

New Rates of Exchange Announced in Accordance with the Washington Agreement[1]

Currency	New Rate	Old Rate	Change as Percentage
Pound sterling*	2 6057 dollars	2 40 dollars	Devaluation of the dollar by 7 89 per cent (revaluation of the pound by 8 57 per cent)
US dollar	3 223 West German marks	3 66 West German marks	Revaluation of the West German mark by 13 57 per cent
US dollar	308 yen	360 yen	Revaluation of the yen by 16 88 per cent
US dollar	5 55419 French francs	5 11570 French francs	Revaluation of the French franc* by 8 57 per cent
US dollar	620 Italian liras	568 Italian liras	Revaluation of the Italian lira by 7 48 per cent
US dollar	44 81 Belgian francs	50 Belgian francs	Revaluation of the Belgian franc by 11 5 per cent
US dollar	1 006 Canadian dollars**	0 925 Canadian dollar	
US dollar	Dutch guilder		Revaluation of the guilder by 11 5 per cent
US dollar	Swedish krona		Devaluation of the Swedish krona by 1 per cent
US dollar	3 84 Swiss francs*	4 3728 Swiss francs***	Revaluation of the Swiss franc by 13 9 per cent
US dollar	23 30 Austr. schillings	24 75 Austr. schillings	Revaluation of the schilling by 6 22 per cent

[1] See *The New York Times*, December 19 and 22, 1971, *The Financial Times*, December 20, 1971.

Continuation

Currency	New Rate	Old Rate	Change as Percentage
US dollar	4 100 Finnish marks****		Devaluation of the Finnish mark by 2 4 per cent
US dollar	South African rand		Devaluation of the rand by 12 28 per cent*****
US dollar	Australian dollar		Revaluation of the Australian dollar by 6 32 per cent*)
US dollar	Spanish peseta		Revaluation of the Spanish peseta by 8 57 per cent**)
US dollar	New Zealand dollar		Devaluation of the New Zealand dollar by 1 75 per cent
US dollar	4 40 Venezuelan bolivar	4 48 Venezuelan bolivar	Revaluation of the bolivar by 2 46 per cent

* The exchange value of the British pound, the French and the Swiss franc in relation to gold did not change

** 'Freely fluctuating rate'

*** In comparison with the rate valid until May 9, 1971

**** Temporary rate

***** In relation to gold

*) Insofar as the Australian dollar was adjusted to match the US dollar as opposed to the British pound, in practice this meant a devaluation of the Australian dollar in relation to the British pound

**) A new rate was fixed 65 9 pesetas to one American dollar Changes in the rate of the Spanish peseta in relation to other currencies were as follows *revaluation* of 1 per cent in relation to the Italian lira, of 1 5 per cent in relation to the Swedish krona, and also in relation to the currencies of Austria, Denmark, Norway, Switzerland and Portugal, *devaluation* of 7 66 per cent in relation to the Japanese yen, of 4 61 per cent in relation to the West German mark and 2 76 per cent in relation to the Dutch guilder and Belgian franc, the exchange rate of the peseta in relation to the pound sterling and the French franc remained unchanged.

countries had not been surmounted was openly confirmed by the Dutch Minister of Finance Nelissen and the French Minister of Economic Affairs and Finance Giscard d Estaing, who pointed out that gold ought to retain its dominant role in the readjusted world monetary system, while the United States objected to the idea

The Washington agreement made virtually no impact on the foreign trade problems in connection with which the United States had insisted on mutual concessions as a condition for agreeing to a rise in the price of gold As a result this agreement put an end merely to the first phase of the struggle which is bound to continue *The Japan Times* noted that the latest currency realignment represents only an interim settlement It will be a long time before genuine stability is restored to the world monetary system [1]

At that period all sorts of forecasts were being made in the financial circles of the capitalist world as regards future developments given the new alignment of forces in that world One such forecast was made by the well known Japanese specialist in international monetary affairs, Soichi Yokoyama, Senior Managing Director of the Bank of Tokyo He foretold that the West European countries would form a trading and monetary bloc underpinned by a common currency unit which resembles a hard currency with a strong link with gold Meanwhile the United States would be compelled to depreciate the dollar further because of the continuing inflation at home This might make it necessary to adjust the values between the dollar and the European currencies In the process Japan should try to develop an international monetary market in Tokyo designed primarily for Asia by increasing the international negotiability of the Japanese currency" [2]

The invitation of ten members of the IMF Board of Governors representing the developing countries to the Washington meeting of deputy ministers from the Group of 10 did not alter the situation (particularly as this meeting did not decide anything, the decisions already having been taken by the Group of 10 ministers), merely serving as a gesture

[1] *The Japan Times* December 22, 1971, p 3
[2] Ibid, p 12

to alleviate the understandable resentment on the part of the developing countries at being virtually excluded from the all-important talks by the Group of 10 Nor are the developing countries in a position to bring any conspicuous influence to bear on the settlement of these problems within the framework of the IMF, since, as was indicated earlier, their "voting strength" in the IMF is negligible It is therefore hardly surprising that some of these countries seek ways of defending themselves outside the IMF Saudi Arabia, for example, raised the exchange value of the rial to 4 145 to the dollar and then announced its right to raise the dispatch prices for oil in view of devaluation of the dollar After revaluing the bolivar (from 4 48 to 4 40 to the dollar) the Venezuelan Government announced its decision to raise the price of oil per barrel by 32 American cents Past experience, however, has shown that the developing countries, finding themselves within the shackling framework of the capitalist system and its international economic and financial institutions, will be obliged to submit to the whims and dictates of the leading capitalist powers for as long as they remain within that framework

Events of 1972 and early 1973 have to a large extent borne out Soichi Yokoyama's forecast Stability of the US dollar and the currencies of other leading capitalist countries proved an unattainable dream. In 1972 the question was once more raised as to whether the US dollar might be substituted by some other kind of reserve currency According to many experts on monetary problems it had become obvious by early 1972 that the first devaluation of the dollar was inadequate for it began to fall again and the price of gold to rise The 'dollar escape' from the United States to Europe, Canada and Japan and the escape from the dollar' continued so that by mid-1972 a floating rate for the British pound had been introduced This was soon followed by a floating of the Swiss franc, the Italian lira and the yen Another factor of importance in this connection is that the devaluation of the dollar and other measures undertaken by the US Government both before and after the Smithsonian agreements and the revaluation of a number of European currencies and the yen did not bring any tangible trade advantages to the

United States, whose balance of payments for 1972 showed a large deficit in excess of 6,000 million dollars.

Trying at all costs to improve this situation the US Government carried out emergency devaluation of the dollar on February 12, 1973, reducing its gold-price by another 10 per cent, i e , practically raising the price of gold from 38 to 42 22 dollars per troy ounce This second devaluation of the dollar was carried out without any pressure being exerted by the USA's partners in the Group of 10, however, they did not oppose this step but rather acknowledged its "expediency"

However, not even three weeks had elapsed after this second devaluation when a new monetary crisis hit the whole of Western Europe, Canada and Japan, caused mainly by a new flood of "hot" dollars into these countries their central banks, in order to maintain the exchange rates of their currencies, were obliged to buy up over 3,500 million dollars in the course of a week. This dollar flood in its turn gave rise to a "gold fever" and there were days when the price of gold soared as high as 95 dollars per ounce!

This new monetary crisis undermined all confidence not only in the exchange rates established in Smithson but also in the monetary system of the capitalist world as a whole. The monetary chaos led to a situation in which the money markets in London, Frankfurt, Brussels, Amsterdam, Vienna and Tokyo closed down on March 2, other stock exchanges soon followed suit and remained closed until March 19

By introducing its second emergency devaluation the United States had taken up a passive stand, leaving the worrying to its partners in the Group of 10 These new tactics can be explained by the fact that the US dollar is now practically non convertible which means that the United States could now stop spending its already limited official gold and currency reserves on supporting the external price of the dollar, seeing that there does not yet exist any direct financial means for compelling the US Government to do this

In these conditions the countries of Western Europe, Canada and Japan were able to take the following steps to counter the speculative flight of short term capital from the dollar to their currencies by setting up limits for the

inflow of the US dollars, introducing temporary but extreme inflation of their dollar reserves, refusing to buy dollars at the current price which usually leads to a temporary rise in the exchange rates of these countries' currencies in relation to the US dollar It was these measures which all these countries were finally obliged to resort to en masse during the latest monetary crisis, at the beginning of which certain countries had been introducing them independently on their own initiative

This crisis had been the most important item on the agenda of cabinet meetings in the FRG, Britain, France, Japan and other countries It also provided the main subject for talks between the British Premier Heath and Chancellor Brandt, when Heath paid a two day visit to Bonn on March 1 2, 1973 At that very juncture the Federal Bank had been obliged to buy up close on 2,700 million dollars that had flooded the FRG During the search for joint measures designed to protect their currencies from the "dollar invasion" the idea of joint floating" of their currencies against the dollar was first brought up in EEC financial circles There were definite grounds for bringing up such an idea since a customs union had been set up within the EEC framework, the economic interdependence of the Common Market members was on the increase, and there was already talk of monetary union, although the first attempt at such an innovation in 1971 had been halted, as it happened, by the rush of "hot dollars" into Western Europe, which had led among other things to the establishment of a floating rate for the West German mark

Another difficulty was the fact that while the West German mark and the French franc were relatively well balanced at that period, both these currencies were stronger that the pound and the lira This meant that the setting up of any monetary union would involve a review of the parity of currencies within the EEC

Nevertheless the EEC s Executive Commission drew up recommendations for joint floating of the currencies of the various EEC members and for stricter control of currency exchange in order to protect themselves against the dollar menace" After discussing these proposals the finance ministers of the Nine reached the conclusion on March 4, 1973,

that the scale and geographical extent of the monetary crisis demanded that other countries should also take part in discussing ways of putting an end to it and above all the United States Japan Sweden Switzerland and Norway The Managing director of the IMF, Pierre Paul Schweitzer, was invited to attend the meeting of EEC finance ministers in Brussels

After certain hesitation the United States and other leading capitalist countries not members of the EEC, agreed to attend a meeting of an extended Group of 10 in Paris which opened on March 9 1973 George P Schultz, the US Secretary of the Treasury made it clear right from the start that the United States was not prepared to meet the demands made by the EEC member countries particularly those of France calling for the USA to take an active part in operations in the money markets to support the dollar for in practice this would have meant a partial restoration of the dollar s convertibility and would have necessitated that the United States either draw on its own currency reserves or take loans from other countries It should be noted that this demand, among others, was agreed on between the finance ministers of the EEC countries at their second meeting in Brussels on March 8 1973, i e , on the day before the extended meeting of the Group of 10 opened in Paris

At this meeting the Chairman of the EEC Monetary Committee Bernard Clappier presented a document drawn up at Brussels on March 8 on behalf of the Community The contents of the document were elucidated by Willi De Clercq (Belgium) Chairman of the EEC Council of Ministers It called for the following that the attending countries be obliged to protect their currencies (hence in this particular situation the United States would have to take steps to uphold the exchange rate of the dollar), that they all step up control over domestic and international liquid funds (in practice this meant that the bank rate in the United States would have to be raised and that of the EEC countries lowered), that the central banks of these countries no longer make direct or indirect investments of capital in European markets, but take steps to curtail such operations in order to prevent surpluses of liquid funds medium term US Govern

ment bonds be released on the Eurodollar market, the movement of capital be made subject to control (in the United States' case this meant stricter controls over long term leakage of capital and guarantees to repatriate dividends and extra income obtained by American companies abroad)

In his reply US Secretary of the Treasury, Schultz, although he twice stated that the United States was ready to co operate in searching for a solution to the crisis, gave all those present to understand that the USA expected its partners to revalue their currencies and make other commercial concessions to the United States It was clear that the USA was going out of its way to turn the crisis into an advantageous opportunity to pursue its own particular ends The upshot of this was that the meeting of the extended Group of 10 reaped no obvious results

The next meeting of EEC finance ministers which was held soon afterwards (March 11 12, 1973) also failed to find a solution acceptable to all members the FRG, France, Belgium, the Netherlands, Denmark and Luxemburg agreed to maintain fixed rates of exchange in their commercial operations with each other admitting of fluctuations not in excess of 2 5 per cent, and also to stop supporting the dollar, however, Britain, Italy and Ireland, after announcing an independent floating rate for their currencies, did not give support to the resolution of the majority of EEC members, although promising to do so once this became possible for them In the course of this meeting the West German Minister of Finance Helmut H W Schmidt announced a 3 per cent revaluation of the West German mark The EEC Council of Ministers decided that revaluation and floating rates of exchange for the six above mentioned countries would come into force on March 19 1973 In order to implement these new decisions the EEC Commission was to elaborate appropriate measures, providing among other things for a restructuring of short term currency maintenance, and the conditions in which a gradual pooling of currency reserves should take place One of these measures was the setting up of a EEC Fund for Monetary Co operation at the beginning of April 1973 (1,400 million units or approximately 700 million pounds sterling) The incomplete solidarity of the EEC countries on this matter led to disappointment in EEC

political circles although in those same circles it had been hoped that the decision of the six above mentioned countries would also be supported by Sweden, Norway, Austria and Switzerland Japan and Canada followed in the footsteps of Britain Italy and Ireland announcing that they would float their currencies

This meant that by the second half of March 1973 the monetary crisis had developed into what may be described as a partially directed currency drift , which in the opinion of financial circles from the Group of 10 ought to ensure at least temporary stability However, many experts were of the opinion that the crisis had not been averted and that the lull was no more than a temporary "cease fire"

More than likely the same goes for the measures adopted by the EEC The attempt by six EEC countries to adhere to more or less fixed rates of exchange in their commercial operations with each other and allow fluctuation in these rates only against the dollar, was a move designed to preserve possible advantages stemming from stable rates for trading and other transactions within the EEC The main point at issue was whether their exchange rates would prove relatively stable as forecast by the economists of the countries concerned most important in this respect were varying levels of inflation and other economic factors It should also be noted that joint floating of currencies of the six (or the nine) EEC countries involves initially a higher rate against the dollar (in view of the surplus of dollars in Western Europe), which gives the United States certain trade advantages insofar as prices for American goods in Europe drop and prices for European goods in the United States show a rise

The French newspaper *L Humanite* had good reason to voice uneasiness in connection with the fact that the exchange rate of the franc tied as it was to the West German mark as a result of the recently agreed fluctuation limits, might well eventually have to be revalued in relation to the dollar which would undoubtedly lead to negative consequences for employment in France Further, insofar as the leading position in the "currency drift was being assumed by West German mark, it was precisely in this direction that the EEC was heading at top speed And to be sure, whereas

previously it had only been the exchange rate of the finan ciers franc" that had fluctuated (i e the franc employed in the sphere of capital movement) after the decision adopted at Brussels on March 12, 1973 similar fluctuations became the order of the day for the commercial franc In this connection the *L Humanite* correspondent called attention to the fact that the exchange rate of the franc was bound to fluctuate tied as it was to the mark, which meant that France ran the risk of finding herself in a mark zone in the final analysis France stood to lose on all counts[1]

In summing up it would appear that the recent monetary crisis in the capitalist world was characterised by a serious clash of US interests on the one hand and those of Japan and the West European countries linked together within the EEC on the other The existence of differences within the EEC prevented the latter from obtaining any major concessions from the United States, which in exchange for monetary concessions demands major trading concessions from the EEC countries Canada and Japan, in parti cular with regard to trade in agricultural produce This came to the fore in the bill on foreign trade put before Con gress by President Nixon in April 1973 that was designed to consolidate US positions at international monetary and trade negotiations

Yet the losses recently incurred by the United States should not be underestimated two devaluations of the dollar within fourteen months on the one hand seriously undermined confidence in the dollar and on the other did nothing towards eliminating the fundamental defects of the American economy The balance of payments deficit is even more serious than before, and a way still has to be found to repatriate the tramp dollars , whose total is probably somewhere in the region of 100,000 million

Monetary crises of recent years have shown beyond any doubt that the capitalist monetary system as laid down at Bretton Woods in 1944 has virtually come apart at the seams Stable exchange rates have proved a myth The days are over when the dollar was the foundation of this monetary system, and the exchange rates of other

[1] *L Humanité*, March 13 1973

currencies rose and fell in relation to the dollar The first signs of the final collapse of this monetary system came into view in August 1971 when the United States stopped the free exchange of dollars for gold The following two devaluations of the dollar went still further towards under mining confidence in American currency Meanwhile the monetary bloc of the EEC countries was taking shape The lack of stable rates of exchange in its turn impedes normal international trade and payments, and the conclusion of preliminary trade deals with payment to follow as was com monly practised earlier

In these conditions what are the prospects for reform of the monetary system? What does the future hold for the IMF? Some experts maintain that if the main currencies continue to float in the future, this will mean that the most important of all monetary reforms will have been introduced They would have us believe that the only task then outstand ing would be to agree on some set of rules" for admissible interference on the part of the central banks to control the scale and rate of floating, for otherwise currency wars would break out They also hold that in this situation problems such as the convertibility of currencies, the pre sence and extent of monetary reserves, etc , would then lose virtually all significance

The question remains as to what happens in the case of the extremely large number of countries, including the majority of the developing countries, which continue to maintain the nominally stable exchange rates of their cur rencies regardless of whether or not they are "tied to any other currency (such as the dollar, the pound, the franc or the yen)? International division of labour, normal interna tional economic and trading links would appear to predeter mine and presuppose more or less regulated rates of exchange, that are reviewed from time to time, and average world prices, etc This interconnection (naturally subject to fre-quent changes) evidently shapes governments decisions on devaluation or revaluation of their currencies, etc It is in this light that the decision of the Venezuelan Government to revalue the bolivar (February 1970) should be assessed, and likewise the decision of the West African countries to reform their monetary union and set up an autonomous

monetary system (with French participation), so that they might be in a position to manage their own currency reserves the latest monetary crisis was one of the major factors leading these countries to take this particular step

Finally, if the importance of reserves in the context of currency floating is really on the decline then what sense is there in new issues of 'special drawing rights", i e , of new 'paper gold", the invention of which represents the latest "achievement" of the IMF

It is difficult to say how the main capitalist countries will find their way out of the monetary crisis and what forms the monetary reform in the framework of the IMF will take, if it is to continue to function It would appear that any more or less sound reform of the monetary system (as far as soundness is attainable within the capitalist system at its present stage) must be based on a standard the value of which is acknowledged, or at least not challenged, if not by all, still by the overwhelming majority of countries The latest outbreaks of the monetary crisis made it devastatingly clear that in the capitalist world of today there is no single currency which could provide such a standard The only conclusion to be drawn in the circumstances is that the only standard on which international settlements can be based is gold (the value of which no one questions) and that all currencies should be aligned with the latter, after a new, more realistic price for the latter has been agreed upon, of course

Thus it can be seen that over a period of 28 years the IMF has failed to make any conspicuous contribution towards a normalisation of the capitalist financial and monetary system or towards the advance of world trade During the said period the currencies of the IMF members have in all been subjected to over 100 devaluations and revaluations The crisis of the capitalist monetary system has become chronic While championing the financial and monetary interests of the monopolies of the leading capitalist powers the IMF has become an instrument of neocolonialism promoting the financial fettering and systematic plundering of the developing countries

CHAPTER V

COLONIAL POLICY OF THE EEC AND OECD

1 THE REASONS FOR CREATING THE EEC

The signing of the Treaty of Rome[1] inaugurating the European Economic Community (EEC) and the admission to the latter of former African colonies of France Belgium and Italy as associate members was one of the most significant undertakings of collective colonialism by six of the West European capitalist countries[2] One of the reasons for this association with the EEC into which the former African colonies were more or less forced was the hope on the part of the Six to be able to check the collapse of the colonial empires on that continent At that time plans were also being hatched although these never materialised for creating "a flourishing commonwealth of two continents (the Eurafrica plan) assessed by the Indian journal *The Eastern Economist* in the following vein

The economic future of tens of millions of people in territories scattered about the globe has been staked on a project which their representatives had no part in devising In certain of these colonies the fear is expressed that their incorporation in Euromarket heralds a new form of super national imperialism in which a large part of Africa becomes the dependency of all West Europe subject at once to the political domination of Paris and the economic domination of West Germany[3]

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[1] Signed on March 25 1957 and effective from January 1 1958
[2] France the FRG Italy Belgium the Netherlands Luxemburg
[3] *The Eastern Economist* February 28 1958 p 463

Unlike EFTA—no more than a customs union—the Treaty of Rome provided for an economic union in the confines of which commodities, capital and labour power could be transferred without any restrictions The treaty also provided for the gradual abolition of tariffs and quantitative restrictions in trade [1] the establishment of unified tariffs and elaboration of a common trade policy in relation to countries outside the EEC the implementation of a common agricultural policy and the co ordination of the economic and finance policies of the six member countries

In order to finance the schemes required to implement the goals laid down in this treaty the following bodies were set up the *European Investment Bank* (EIB) [2] the *European Social Fund* to cover expenses resulting from the supplementary training and transfer of labour power the *Development Fund for Associated Overseas Countries and Territories* to grant aid to the African associate members [3] Other bodies created at the same time included the *Council of Ministers* on which each country was represented by one politician of ministerial rank, the *Commission*, the *Court of Justice* (for settling disputes in connection with the implementation of the treaty) and the *Assembly* (attended by members of parliament from each country) The headquarters of the EEC is in Brussels

Each of the six countries when joining the EEC was naturally aspiring to promote its own interests The Federal Republic of Germany for example counted on finding new marketing outlets for the output of its ferrous metallurgy chemical and engineering industries in the other countries of the Common Market, and what was particularly important, on gaining wider access to the markets of the former

[1] Over 12 15 years in three stages the first reduction in customs duties and quantitative restrictions in trade within the EEC was carried out on January 1 1959—duty rates were reduced 10 per cent and import quotas were increased by an average of 20 per cent the second reduction in customs duties was introduced on July 1 1960 and the second increase in import quotas was introduced on January 1 1960 similar reductions were introduced regularly in subsequent years

[2] The declared assets of the EIB were 1 000 million dollars of which 250 million were paid up The share of France and the FRG in the EIB s paid up capital was 75 million each

[3] 581 million dollars 400 million of which was contributed by the FRG and France shared between the two of them equally

French Belgian and Italian colonies in Africa France on the other hand counted on expanded markets for the output of her metallurgical chemical and aircraft industries and also for her agricultural produce The Benelux countries, which at that time had the lowest customs tariffs in Europe, were hoping to gain from the reduction and subsequent abolition of customs duties by the FRG, France and Italy The leaders of the Six also had reason to believe that the measures implemented to promote economic co ordination between the EEC members might create definite possibilities for the consolidation of their joint economic power [1]

It is important to note that at that time Britain came out against the Common Market since one of its aims was to oust British commodities from the markets of Western Europe and associated Africa This also explains Britain's desire to neutralise these particular consequences of the creation and activity of the EEC by joining it [2]

Equally revealing is the fact that the Treaty of Rome laid down a general agreement reached by the Six for their joint exploitation of the associated countries, which gave the treaty its essentially neocolonialist character

2 THE EEC AND THE ASSOCIATED AFRICAN COUNTRIES

By the end of 1967 the number of African countries associated with the EEC had reached 19 These were first and foremost countries of the Afro Malagasy Union (Dahomey, the Ivory Coast the Upper Volta the Niger, Chad, Senegal, Mauritania, Gabon, the Central African Republic, Congo [Brazzaville], Cameroun, the Republic of Malagasy) and in addition Togo, Mali, Somalia, Zaire, Ruanda, Burundi and Nigeria [3] In 1957 the countries of the Afro Malagasy

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[1] The EEC creates conditions to promote the expansion and growth of production in its European member countries to make their commodities more competitive in outside markets and stimulate capitalist specialisation and co-operation of production within the EEC

[2] *The Common Market and International Relations in Western Europe* Russ ed Moscow, Progress Publishers 1970 pp 89-142

[3] An agreement providing for the association of Nigeria was signed in Lagos on July 16, 1966

Union, which had then not yet gained their independence, were affiliated to the EEC for a term of five years, naturally without being asked for their consent. The association of these former French colonies, of which there are now fourteen, the basis for which was drawn up in Annex IV to the Treaty of Rome,[1] provided a model for subsequent association of other African countries with the EEC. After these countries had gained their independence in January 1961 a meeting for members of parliament from the EEC countries and the African countries concerned was held in Rome to discuss conditions for their permanent association with the Common Market. In June 1961 a new conference was convened in Strasbourg to elaborate regulations for matters of trade, stabilisation of prices and aid to the associated countries and territories. It should not be forgotten, however, that up until June 1964, that is before the First Yaoundé Convention came into effect, the associated countries were not represented on a single EEC body.

What advantages did these countries gain from association with the EEC? According to the conditions of association the European countries undertook to grant the associated countries the same privileges that they grant one another with regard to customs duties and import quotas within the EEC framework. If these conditions were strictly observed then of course the associated countries could count on certain advantages from trade with the EEC countries, insofar as commodities from third countries were subject to high duty rates of a unified customs tariff. In practice, however, things worked out very differently. Since commodities from third countries and the EEC countries were more competitive than commodities exported by the African countries, the EEC preferential tariff scheme in practice proved a pure formality. Furthermore, the EEC countries more than once violated the Treaty of Rome and the association agreement: for example, on January 1, 1959 the FRG reduced its customs duties for third countries on a number of tropical commodities. On various pretexts it kept refusing to buy

[1] See Alan Campbell, Dennis Thompson, *Common Market Law, Texts and Commentaries*, London, 1963, p. 268.

bananas from the Ivory Coast, importing them instead from Colombia and Ecuador. Somalia also finds itself up against major difficulties in its efforts to sell bananas to Italy and other EEC countries. On the other hand, the EEC countries conclude special agreements with third countries allowing for preferential trade, which creates additional problems for the export of commodities from the associated countries to the EEC countries. The EEC has concluded special agreements of this kind with Argentina, Turkey, Greece, Uruguay, Spain, Austria and Israel.[1] The associated countries have also suffered considerable losses as a result of the overall deterioration of trading conditions within the EEC framework, including those for them. During the first five years of the Community's existence (1959-63) prices on exports from the Six went up by over 40 per cent, while prices for exports from the associated countries over the same period went up by a mere 8-10 per cent. Since then trade conditions for the associated countries with the EEC have continued to deteriorate.

The creation within the EEC framework of the Development Fund for Associated Overseas Countries and Territories (with assets of 581,250,000 dollars) was designed to provide a kind of concession to the associated countries. Contributions to this total were apportioned among the EEC member countries as follows: France and the FRG each contributed 200 million, Belgium and the Netherlands 70 million each, Italy 40 million and Luxemburg 1,250,000 dollars. By this show of concern for her colonies France managed to see to it that 90 per cent of this money was invested precisely in those countries. It is also significant that the FRG, eager to find a foothold in Africa and using among other means to this end EEC channels, supported France in this matter. As a result money from the Development Fund was allocated during the first five years as follows:[2]

[1] Negotiations were or are being held to arrange for similar agreements with Brazil, Sweden, Iran, Malta, Lebanon and other countries.

[2] *The Flow of Financial Resources to Developing Countries in 1961*, OECD, p. 44.

Table 22

Countries and Territories	Funds Allocated (as a percentage of the total)
Countries and territories of the franc area	88
Former Belgian colonies	5
Former Italian colonies	1
Former Dutch colonies[1]	6

More than 40 per cent of this money went on the creation of infrastructure or on preinvestment requirements namely the securing of favourable conditions for the investment of private capital from the EEC countries The following data listing the allocation by purpose and actual spending of this Fund s resources illustrate this[2]

Table 23

Allocation by Purpose	Total (mil dollars) 1959 63
Bridges and roads	106
Ports	24
Railways	22
Surveys	9
Town planning	17
Agriculture	90
Education	54
Health services	39
Total for the five years	361 million

[1] By the end of June 1967 the total sum grant[illegible] EEC to West Irian Surinam and the Dutch Antill[illegible] to approximately 15 800 000 dollars

[2] See *Bulletin quotidien d Afrique* Jan[illegible]

During the first two years after the inauguration of the EEC a mere 63 million dollars was allocated to the associated countries in the form of aid [1] One of the compulsory conditions for the receipt of this aid from the Fund in the form of non repayable credits granted for specified purposes was that the projects to which funds were devoted be undertaken only by firms from the EEC member countries In this connection it is significant that French firms had the biggest share of the contracts for development projects [2] Thus the main reason for setting up the Development Fund for Associated Overseas Countries and Territories and other schemes for granting aid to the associated countries was to consolidate the EEC s economic footing in these countries both for the Community as a whole and for the individual members and to tie Africa to the economy of the EEC countries

It is therefore not surprising that the associated countries demanded improved terms for their association with the EEC during negotiations for a new convention in 1961, which obliged the Six to make a number of concessions One of these was their agreement to set up a stabilisation fund which was to give the associated countries some guarantees against the losses they suffered as a result of the sharp drop in prices on their traditional exports Another concession was the EEC s agreement to make a small increase in the total capital of the European Development Fund (EDF) which had replaced the Development Fund for Associated Overseas Countries and Territories bringing its total resources up to 800 million dollars [3]

The new association convention was signed at a conference in Yaounde on July 20 1963 (The First Yaounde Convention) and came into effect after its ratification on June 1 1964 The conference inaugurated the following association bodies the *Council of Association* (consisting of members of the Council of Ministers the EEC Commission and the EEC sentatives of the associated countries) the *Association*

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[1] *Economic Transition in Africa* edited by Melville J Herskovits and Mitchell Harwits London 1964 pp 364 65

[2] *The Daily Telegraph* April 4 1967 *L Usine nouvelle* April 9, 1964

[3] *Economic Transition in Africa* pp 364-65

Committee, the *Joint Parliamentary Committee* and the *Court of Justice* The Parliamentary Committee is made up of members of the European Parliament and representatives of the legislative assemblies of the associated countries The convention, whose term of office was set at five years, regulated the allocation of the European Development Fund s resources and those of the European Investment Bank According to the convention the aid[1] granted to the associated countries over the 5-year period in question was to be apportioned as follows[2]

730 million dollars	to the countries associated with the EEC
500 million dollars	of this total for technical aid
70 million dollars	to other dependent territories (French, Belgian and Dutch)
800 million dollars in all	

Part of the EDF resources was also spent on preinvestment' purposes, such as improving and building roads and bridges in the Upper Volta, Mali, Senegal, Burundi, Zaire, on improving water supply in the Central African Re public, on training medium skilled personnel in the Central African Republic, on building five hospitals and a land reclamation scheme in Algeria Co operation between the EDF and IDA in Africa was directed towards similar ends in 1964 the EDF and IDA started jointly to finance road construction projects in Mauritania and Somalia [3] In March 1967 the EDF started financing six new projects with a total cost of 19,700,000, thus bringing the

[1] In the form of long term loans granted usually for a term of 25 years at an annual rate of interest of $5\frac{7}{8}$ per cent and also credits and subsidies

[2] *Les moyens financiers mis a la disposition des pays moins developpes 1956 1963*, OECD, 1964, pp 137-38

[3] *World Bank IDA Annual Report 1964 1965*, p 5

total of its liabilities up to 379,150,000 dollars These projects included planting an area of about 10,820 acres in Cameroun with palms (financed by an EIB loan of 6 482 000 dollars), modernising river transport in the Congo (Brazzaville) with an EDF subsidy of 1,944,000 dollars, the construction of four schools in Somalia with an EDF subsidy of 2 143,000 dollars and the modernisation of main roads in the Upper Volta with an EDF subsidy of 7,413,000 dollars In July 1969 the EDF signed an agreement with Zaire to finance the construction of a dam and a power transmission line costing 18 million dollars In November 1969 the EDF granted the Central African Republic credit amounting to 111 million African francs for equipping the port of Nola [1] The following is a summary list of the allocation by purpose of all the Fund's resources (percentages)[2]

Agriculture	44 9
Infrastructure	37.7
Education and training of medium level personnel	10 0
Health facilities	4 6
Industry	1 3
Miscellaneous	1 5

There is thus no real difference between the EDF and the Development Fund for Associated Overseas Countries and Territories, either as regards the extent or the designation of their financial aid to the associated African countries In assessing the significance in the increase in the EDF's resources as compared to those of the Development Fund for Associated Overseas Countries and Territories it is important to bear in mind that since the EDF was founded many EEC members have fallen prey to inflation and their currencies have depreciated, which means that in effect no real increase in the extent of the aid made available to these countries took place EEC representatives themselves have been obliged to admit the inadequate and inadvantageous character of this aid for example, Robert Marjolin,

[1] In order to facilitate export of timber from the Upper Volta and Sanga Basins
[2] *Bulletin quotidien d'Afrique*, January 3, 1969

representative of the EEC Commission explained the rea sons for the developing countries sceptical attitude to this side of the EEC s activity in an interview for *Le Figaro* in October 1969 in the following light Too often donor countries have been pursuing selfish ends that have nothing to do with development protection of their position of influence, stimulation of exports not of vital importance for the recipient country, short term loans and credits at high rates of interest giving rise to an accumulation of debts that will prejudice the developing countries financial future Let us also add general deterioration of trade terms *to the detriment of the developing world* [1] After making this admission Marjolin however did not answer the question as to whether EEC aid differed from the bilat eral aid granted by EEC countries and whether the latter were intending to alter their policy in this sphere in any way

Table 24

Extent and Allocation by Purpose of EIB Loans to the Associated Countries in 1968 [2]

(millions of dollars)

Countries	Power	Transport	Extractive Industries	Agriculture and Food In dustry	Metallurgy	Textiles	Fertil ser Production	Sum in mil dollars (as per cent of total)
Mauritania	—	—	11	—	—	—	—	11 (24 4
Senegal	—	—	—	—	—	—	2 4	2 4 (5 4)
Ivory Coast	—	—	—	10 9	—	—	—	10 9 (24)
Cameroun	4	—	—	2 1	1 2	1 2	—	8 5 (18 8)
Gabon	—	2 3	—	0 5	—	0 4	—	3 2 (7 2)
Congo (Brazzaville)	—	—	9	—	—	—	—	9 (20)
Total	4	2 3	20	13 5	1 2	1 6	2 4	45 0

[1] *Le Figaro* October 25 1969

[2] "Les Marches tropicaux et mediterraneens" *L'exportateur français* October 25, 1969

As for EIB its grants of aid to the associated countries are far from large as can be seen from the figures for 1968 given in Table 24

These figures show that loans were received by countries enjoying relative solvency, and that the loans were set aside for projects which, in the eyes of the EIB, would pay their way That same year the EIB granted the following special-purpose loans from EDF resources:

Table 25

To Finance Development (in millions of dollars)[1]

Countries	Infrastructure (transport)	Agriculture	Processing industry	Total*	Per cent of total
Mauritania	2 8	—	—	2 8	9.0
Ivory Coast	6	3 6	—	9.6	30 8
Cameroun	2 4	6 5	1.6	14 5	46 5
Chad	—	—	1 2	1.2	3.8
Central African Republic	—	0 2	—	0.2	0.6

* In addition New Caledonia received a loan of one million dollars for the development of her infrastructure and Surinam 1,900,000 dollars to the same end.

On July 1, 1968 the associated countries were formally granted the right to duty-free export of their commodities to the EEC countries, however, as noted earlier, this did not mean at all that they had gained equal trading rights. For example, 14 associated countries—former French colonies—still exported their commodities to France according to tariff rulings laid down before association. There also existed a second tariff of a fiscal variety which in future will also apply to commodities exported from the associated countries. Finally it must also be taken into account that the partial concessions made in the interests of the associated countries and the loans from the EDF and the EIB are more than made up for by the advantages gained through the application of other neocolonialist economic and trading methods.

[1] "Les Marchés tropicaux et méditérranéens". *L'Exportateur français*, October 25. 1969.

This emerges quite clearly from any study of the way in which trade between the associated countries and the EEC countries has developed First and foremost it should be pointed out that the prices for commodities exported by the developing countries, including the associated ones, were falling conspicuously, while prices for commodities imported by them from the advanced capitalist countries are rising The following figures for the period 1954 62 illustrate this trend

Table 26

Changes in Export Prices and the Terms of Trade* Typical for the Industrialised Capitalist Countries and the Developing Countries (1958 = 100)

Years	Export prices[1]		Terms of trade	
	Industrially developed countries	Developing countries	Industrially developed countries	Developing countries
1954	97	105	96	109
1955	97	105	96	108
1956	100	104	97	104
1957	103	104	96	100
1959	99	98	102	99
1960	100	98	103	99
1961	101	95	104	97
1962	102	94	105	96

* The terms of trade—the correlation between prices on goods exported and imported by the country in question

This shows that the indices for the export prices on commodities from the developed capitalist countries *rose by 5 points*—from 97 in 1954 to 102 in 1962, while the indices for export prices on commodities from the developing countries over the same period *fell by 13 points* In the period 1963-66, prices on commodities exported by the developing countries continued to fall, most sharply of all in 1965 The deterioration in trading terms for the developing countries, including associated countries, means that their export earnings decrease and the majority of these countries, impor-

[1] *Africa and the World*, September October 1966

ting manufactured goods from the EEC countries year in year out keep overpaying the latter many millions of dollars. As a result almost all the associated countries have a deficit in their trade balance with the EEC countries. The picture presented by the figures published by the EEC statistics bureau for 1964, an average year from the point of view of prices on the world market, was as follows:

Table 27

Foreign Trade of the Associated Countries in 1964
(millions of dollars)

Countries	Imports	Exports	Balance
Mauritania	15 7	45 6	+29 9
Mali	36 6	16 6	−20 0
Upper Volta*	37 0	9 3	−25 7
Nigeria	33 5	21 3	−12 2
Chad	34 6	26 5	−8 1
Senegal	171 6	122 5	−49 1
Ivory Coast	245 0	302 1	+57 1
Togo	41 7	30 2	−11 5
Dahomey	31 4	13 2	−18 2
Cameroun	115 8	121 7	+5 9
Central African Republic	29 8	28 9	−0 9
Gabon	55 7	90 1	+34 4
Congo (Brazzaville)	64 8	47 4	−17 4
Zaire	285 0	346 1	+61 1
Ruanda*	4 8	3 6	−1 2
Burundi	—	—	—
Somalia*	44 7	31 8	−12 9
Madagascar	135 5	91 8	−43 7

* 1963 figures

The above figures show that in 1964 of the 18 associated countries 12 had a trade deficit and only five showed a surplus and for the most part these surpluses could be explained by cuts in imports. It has also been estimated that the EEC countries' exports (in terms of value) to the associated

countries in the franc area over the period 1960 65 went up by 41 per cent, while exports from the latter to the EEC countries (also in terms of value) grew by 34 per cent over the same period Revealing in this connection is the fact that West German exports to the associated countries over the given period rose by 72 per cent [1] It was therefore quite natural that the countries in the franc area demanded that prices on their traditional exports be stabilised in the course of the meeting of finance ministers from the franc area held in Paris in September 1968

The situation is also complicated by the fact that the associated countries have no guarantees for the sale of their commodities on the markets of the EEC countries [2] According to figures issued by the UNCTAD Secretariat, since the EEC was set up the share of third countries in the overall volume of exports to the EEC countries has fallen from 65 per cent (1958) to 55 per cent (1965), but at the same time the share of exports from the associated countries has also fallen from 25 per cent to 19 per cent and the largest decline in exports from these countries has been that affecting agricultural produce This once again serves to show that the EEC countries solve their problems connected with the sale of agricultural produce and their contradictions within the Community in that sphere mainly at the expense of the associated countries

The terms for the latter s trade with the EEC countries are also deteriorating because excessively high taxes are placed on the associated countries' export commodities for example, in the FRG coffee and cocoa are subject to a 108 per cent and 40 per cent tax respectively, in France the corresponding figures are 36 per cent and 105 per cent, and in Italy 148 per cent for both commodities

The associated countries are also exposed to substantial losses as a result of their obligation to lower, on a "mutual'

[1] André George, "Evolution institutionelle et structurelle de la zone franc" (Extrait du *Bulletin de liaison et d'information de l administration générale des finances*, No 14, December 1963 January 1964, pp 18 19)

[2] Between 1959 and 1965 France cut the share of her purchases made in the 18 associated countries from 53 to 48 per cent of the Common Market countries' total, while increasing her share in the total exports to the associated countries from 60 to 67 per cent.

basis customs duties on the commodities they import from the EEC countries Not only is this reduction, or worse still lifting of customs duties unfortunate for the African countries as close on 60 per cent of their revenues used to be provided by this source, but, what is still more serious the more competitive goods produced by the EEC countries naturally oust the produce of local industries (when to hand) on the home markets and thus hold back their development Moreover in this situation the associated countries were obliged to lift customs duties not only on commodities imported from their former metropolitan country but also those imported from other EEC member countries

Such are the overall results of association of 18 African countries with the EEC which show that this association is advantageous first and foremost for the EEC members pursuing a co ordinated neocolonialist policy in relation to the associated countries and consolidating their position in the competitive battle for markets with the United States at the expense of these countries The loss for Africa stems from the fact that association with the EEC has led to a split between African countries associated with the Com munity and those which are not which stands in the way of the creation of an African common market and serves to undermine the work of the OAU

Association has brought little benefit to the individual associated countries whose grants of aid are so widely discussed nowadays in various EEC bodies Dahomey, for one is a country which has little reason to rejoice in her co operation with the EEC At the end of 1966, for example, the country s economy and finances gave cause for alarm and the external debt was growing Since 1960 there had been virtually no increase in Dahomey s exports (in terms of value) and her trade balance for the period 1960-66 had been showing a constant deficit [1] In 1965 the palm-oil exports (constituting 75 per cent of the country s total exports) dropped sharply down to 16,700 tons as opposed to 56 200 tons in 1962 Since there were no other sources of capital accumulation, plans for the construction of various

[1] In 1966 for example her imports (in terms of value) exceeded her exports three times over

industrial projects had to be shelved.[1] EEC aid to Dahomey during the first five years of association had amounted to a mere 7 million dollars and had been set aside primarily for subsidising production of agricultural produce for export.[2] The EEC devoted special attention to the building of the infrastructure in Dahomey: to facilitate the export of palm oil, ground nuts and cotton, main roads are being built or improved. Attention is also being paid to Dahomey's geographical situation, for a constant stream of lorries from the Niger, the Upper Volta and other associated countries cross through her territory. Another of the 'mutual' concessions that Dahomey had to agree to was to introduce special regulations for commodities from the Six: she also had to reduce substantially customs tariffs and create favourable conditions for the export of private capital from the EEC countries into Dahomey. In recent years the penetration of Dahomey by West German private capital has intensified considerably.

The poor associated countries find themselves in a still more difficult position. Chad, for example, whose export trade depends almost exclusively on her agricultural produce (over 90 per cent of the gainfully employed population is engaged in agriculture), is completely dependent on the conditions obtaining on the foreign market. Trends in Chad's foreign trade with the EEC countries have been far from encouraging: despite cuts in the volume of her imports (from 30,717 tons in 1960 to 23,952 tons in 1966) and an increase in the volume of her exports (from 17,557 tons in 1960 to 24,040 tons in 1966) to the EEC countries, during the whole of those 7 years Chad has only once had a trade surplus, in 1961.[3] The following figures provide a still more graphic illustration of Chad's predicament.

[1] Leaders of the EDF and the EIB do not do more than subsidise such projects as the building of schools, geological surveys for artesian wells and campaigns to combat animal pests.

[2] About 4 million dollars was earmarked for Dahomey for the period 1965-70 to increase yields of palm-oil, ground nuts and cotton.

[3] The surplus in Chad's trade balance with the EEC countries in 1961 amounted to close on one million dollars thanks to an almost twofold increase in exports and cuts in imports.

Table 28

Chad's Imports from the Common Market Countries

	1960	1961	1962	1963	1964	1965	1966
Volume (tons)	30 717	28,533	39,684	28,612	45,515	24,841	23,952
Value (thous dollars)	16 285	16 219	18,552	18,381	21,550	17,860	19,052

Chad's Exports to the Common Market Countries

	1960	1961	1962	1963	1964	1965	1966
Volume (tons)	17 557	30 826	19,360	29,992	33,646	26,497	24,010
Value (thous dollars)	9 545	17 246	9 903	15,312	17,355	14,474	12,967
Trade Balance	−6,740	+1,027	−8 649	−3,069	−4,195	−3,386	−6,085

Thus as a result of her dependence on the EEC countries and above all France, Chad suffers considerable losses not only in the sphere of production, in the course of which a large part of the surplus product is appropriated by capital from the EEC countries on the spot, but also in the sphere of trade which is tied to the Common Market and dependent on the latter. Making the most of Chad's dependence on them for deliveries of equipment and machinery, the EEC countries sell these commodities to her and other associated countries and purchase commodities from these countries whenever it suits them. In this situation the EEC countries are able to dictate their trade terms to Chad, artificially lowering the prices on Chad's exports and raising those on their own. This dependence obliges Chad to sell her cotton to the EEC countries at ever lower prices. For example, in the period 1960-66 prices on Chad cotton in EEC markets fell by almost 50 per cent. The position is now such that

Chad's export earnings from cotton sold in the EEC markets[1] now barely cover production costs Each year France grants Chad subsidies so as to make Chad's cotton competitive and in addition takes upon herself almost half this small country's budget expenses Chad's position has, however, remained equally difficult all these years In 1970 the situation was made still worse by drought which curtailed cotton production by 49,000 tons as against 149,000 tons in 1969 It therefore does not come as a surprise to learn that per capita annual income in Chad in 1970 came to no more than 70 dollars

Thus the aid received from France and the other EEC countries, part of which is channelled through the EDF,[2] did not save the situation for Chad the cost of living in this country is rising (it has increased by 30 per cent over the last ten years) and the deficits in the trade balance and the balance of payments, and consequently the country's dependence on the EEC, grow constantly Negotiations to arrange for more extensive aid for Chad from the EEC, which were held in November 1970, did not produce any tangible results Therefore it is not surprising that the results of Chad's association with the EEC have given rise to profound disappointment throughout the country

The country's main export item is ground-nuts (these account for close on 80 per cent of the total) However, the area sown with this crop is being reduced with every year as a result of falling prices on world markets, frequent droughts and also competition from soya and sunflower seed oil All this has produced a situation, where, even after prices for ground nuts started rising in 1970 (as compared with 1969 prices), Chad's export earnings in 1970 were nevertheless lower than in the previous year An important point to be borne in mind in this context is that 90 per cent of the peasant's earnings are dependent on sales of ground-nuts [3]

Nor did the "richer" countries associated with the EEC find themselves in a better position In Senegal, for instance,

[1] Cotton is Chad's main export item
[2] This aid totalled 22 800 000 dollars for the period 1964 69
[3] See *The New York Times*, January 29, 1971, Supplement

President Senghor openly declared that his country, like the other associated countries, is not genuinely independent, for the capitalist countries, including those of the EEC, are gradually strangling them by means of their economic and trading practices The President brought this point home by stating that in the period 1961-66 Senegal's exports to Western Europe had increased in volume by 30 per cent, while her export earnings over the same period had grown by a mere 3 per cent [1]

The leaders of the associated countries are becoming increasingly aware that the creation of the strong grouping of six states in the EEC has led to intensified expansion on the part of the monopolies from those countries in Africa Many African countries are therefore looking for ways to protect their interests, such as setting up their own common markets On April 1, 1962 an agreement was signed inaugurating an African Common Market incorporating Algeria, Ghana, Guinea, Mali, Morocco and Egypt The agreement[2] provided for a co ordinated trading policy, unified tariffs in trade between members, etc

While the leaders of the EEC expand association by bringing new African countries into the Community's orbit, thereby attempting to turn the Mediterranean into "a Common Market lake", the associated and non associated countries keep submitting demands to members of the EEC, EFTA and the OECD calling for improved terms of trade At the conference of the EEC and the 18 associated countries in Mogadishu (September 1966) representatives of the associated countries paid special attention to this very problem demanding guarantees from the EEC member countries that they might be able to sell their commodities at stable prices These questions also figured prominently on the agenda of the parliamentary conference of the EEC and the associated countries held in Abidjan in December 1966, at which the French representative acknowledged the need to set up a "market for African commodities" in Europe One of the main causes behind these African demands was

[1] *Pravda*, December 14, 1966

[2] It took effect on July 1, 1963 (see *IMF. 14th Annual Report on Exchange Restrictions*, Washington, D C , May 1963, p. 8)

The readiness of the associated countries to continue their association, but on more acceptable conditions, can be explained by a number of factors. The EEC countries constitute the leading market for tropical commodities that are the main export item of the majority of the associated countries. In 1961, for instance, the EEC countries consumed over 45 per cent of world fruit exports from the developing countries, over 25 per cent of the coffee, close on 40 per cent of the cocoa and over 50 per cent of vegetable oils, etc. In 1960 close on 80 per cent of the coffee, over 75 per cent of the cocoa and almost 100 per cent of the oil-bearing crops, cotton and certain other commodities were exported by the former French colonies in Africa. In those years Zaire, Ruanda and Burundi sold on average about 75 per cent of their bananas, 35 per cent of their coffee and almost 100 per cent of their cotton and oil-bearing plants to the EEC countries.

In January 1968 a conference of representatives from the 18 associated countries was held in Niamey which came out in favour of extending the convention for their association with the EEC The conference demanded improved trade terms and improved conditions for aid. In accordance with a decision adopted at that conference national committees were set up in the associated countries to draft proposals for inclusion in the new convention.

While agreeing to an extension of association the associated countries hoped to protect their interests and persuade the EEC countries to agree to alleviate their economic and financial position (stabilisation of prices for tropical raw materials, the creation of an "organised market" within the framework of association and an increase in economic aid for industrialising the associated countries, etc.). Another reason for the acceptance of an extension of association was undoubtedly the fact that at that time many of the associated countries were experiencing an acute economic and socio-political crisis and being subjected to strong pressure from the leading imperialist countries.[1]

On December 19, 1968 talks were opened in Brussels to draw up an extension of the association of the 18 countries

[1] See Y. N. Korendyasov, *Collective Colonialism in Action*, Russ. ed., International Relations Publishers, Moscow, 1969, pp. 66-67, 200-01.

with EEC (in view of the fact that the Yaounde Convention was only in force until July 1, 1969) The talks began in an atmosphere of marked discord At this conference of foreign ministers the associated countries demanded guaranteed firm prices for raw materials and tropical commodities making it clear that not only were the associated countries dependent on the EEC but that also the EEC countries were to a considerable extent, dependent on the African countries This was pointed out with particular frankness by President Diory Hamani of the Republic of Niger

The Six in their turn went out of their way to make sure that the new convention should contain stipulations which would continue to facilitate their exploitation of the associated countries in the future As a new "sop" to these countries the Six decided to put their food "surpluses" (close on a million tons) at the disposal of the associated countries in the form of aid over a period of five years [1]

The next phase of the talks was scheduled for the end of March 1969 but the EEC Commission was called upon to draft a new convention The 66th Meeting of the EEC Council of Ministers which opened on March 25, 1969 was devoted to this end and talks were resumed in Brussels on March 26 1969 The negotiations proved tough and were concluded only after five meetings between EEC representatives and those of the associated countries in Brussels where on June 28 1969 the second Yaounde Convention was at last initialled

Despite the lengthy negotiations this new convention differed little from the first All that the associated countries had achieved was to extract an agreement from the EEC to increase the EDF s capital over the next five years to 1 000 million dollars (an increase of 20 per cent) Of this total 810 million was to be allocated to the associated countries in the form of gift credits in local currencies 90 million in the form of special purpose loans and 100 mil

[1] In 1969 the EEC set aside for this purpose 35 000 tons of animal fats and 120 000 tons of powdered milk in 1970 50 000 tons of fats and 40 000 tons of powdered milk The associated countries receiving this aid do not distribute these products but sell them to the population later spending the takings on financing development projects approved by the EEC

lion dollars in the form of EIB loans This concession however, did not alter the overall situation since this increase in the EDF reserves hardly made up for the depreciation of the EEC countries' currencies that had taken place in the five preceding years M Djimomar Gueye, the Senegal Ambassador to Belgium, assessed the concession" in precisely that light, pointing out that it was not an increase but merely an adjustment to the real situation'[1] In this connection it should be noted that insofar as the transactions of the EDF and the EIB within the framework of the new convention could only come into effect after its ratification, the preliminaries for which dragged on until the end of 1969, the associated countries could avail themselves of these credits over a six year, not a five year period as provided for in the convention This meant that the 20 per cent increase would have come to naught regardless of rates of exchange It was precisely for this reason that at the end of the negotiations the representatives of the associated countries demanded that Article 59 of the draft for the new convention be reviewed and the convention's validity fixed for a period of five years up to May 31, 1974 to avoid an empty year". The Six were obliged to make partial concessions on this point[2] and a compromise was reached according to which the Second Yaounde Convention would remain in force until January 31, 1975

By making this concession the EEC countries achieved the abolition of the fund for aid to develop production and maintain stable prices after agreeing to set aside 60 million dollars from the EDF resources for aid to the associated countries, which might suffer in particular from a sharp drop in prices for raw materials In exchange for their agreement to grant some enterprises of the associated countries protectionist customs tariffs in the region of 10-15 per cent, in order to make the latter's commodities more compe-

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[1] *Le Monde*, June 29 30, 1969, p 21

[2] In addition the Netherlands agreed to raise its contribution to the EDF to the same level as Belgium's (8 89 per cent) Italy also raised its contribution (to 15 67 per cent), however the FRG and France curtailed the relative share of their payments, although the absolute total increased to 298,500 000 dollars (*Le Monde*, June 30, 1969)

titive, the EEC countries secured the right for EIB to a share in such enterprises and also broader rights for the EDF to intervene in their affairs.

If it is taken into account that the imports of the associated countries from the EEC countries account for half their overall foreign trade,[1] allowing the latter to profit at the expense of the former, then it is clear that no real improvement in conditions of association for the African countries had been effected. This was pointed out by their representatives at the meeting of the Joint Parliamentary Committee of the EEC and associated countries held in Nialic (Niger) on October 20 24, 1969. Moreover, the EEC countries refused to reconsider their decision with relation to cutting down customs duties on tropical commodities from third countries (Latin America and Asia), which dealt an additional blow at a number of associated countries, particularly the Malagasy Republic, whose foreign minister declared in October 1970 that the country might be obliged to withdraw from the association. These questions were also brought up at the parliamentary conference of the EEC and associated countries held in January 1971 in Yaoundé. It was attended by 54 delegates from the European Parliament as well as 54 members of parliament from the associated countries. In his opening address President Ahmadou Ahidjo of Cameroun demanded from the EEC countries that they pay more attention to the requirements and the position of the associated countries, stressing the imperative need to promote their industrialisation. The conference discussed the report on the activities of the Association Council submitted by André Guillabert (Senegal), who called attention to the fact that the EEC could not compensate the losses suffered by the associated countries in their trade with the Six through financial aid. This point made by Guillabert later found expression in the resolution adopted at the end of the conference Likewise the dissatisfaction with the Second Yaoundé Convention on the part of the associated countries.

Thus it can be seen that the neocolonialist essence and disastrous repercussions of association with the EEC for the

[1] *Le Monde*, June 30, 1969

associated countries and the Malagasy Republic are becoming increasingly obvious to the leaders of the associated countries. Being well aware of this the EEC leaders were subsequently obliged to make various compromises when elaborating the new convention relating to association On this occasion the EEC Joint Commission drew up in advance, in April 1973, a draft for a new association convention which contained a number of new concessions to the associated countries. The draft includes among other things a new article providing a guarantee of revenues for these countries from the export of their staple commodities This "initiative' on the part of the EEC Joint Commission was the upshot of insistent demands on the part of the associated countries for a stabilisation of prices for their traditional exports In addition this concession was dictated by the endeavour of the leading EEC members to consolidate their "vertical links" with the associated African countries and thereby demonstrate their independence of the United States, in particular in the light of the increasingly tense trade rivalry between the USA and Western Europe This was borne out by the discussions at the meeting of the EEC Council of Ministers (March 5, 1973) regarding the relations between the EEC and the Mediterranean countries the discussions were of a controversial nature serving to illustrate the existence of sharp contradictions between US and Common Market interests in this part of the world. The efforts of the EEC countries to gain an increasingly firm foothold in the markets of the Mediterranean countries by concluding general agreements with the latter providing for mutual preferences in the foreign trade sphere meet with strong opposition from the United States. Typically enough at the said meeting the ministers representing Great Britain, the Netherlands and the FRG went out of their way to keep relations as smooth as possible between the EEC and the United States, while the French and Italian ministers attacked the pressure exerted by the USA, pointing out that the latter imports no more than 6 per cent of the output of the Mediterranean countries and thus has no right to demand trading terms identical with those enjoyed by the Common Market countries which import between 50 and 80 per cent of these countries' exports.

The above mentioned EEC concessions to the associated
countries in the new convention also bear witness to attempts
made by the Common Market leaders (whose number since
January 1, 1973 includes representatives from Britain,
Denmark and Ireland) to expand the group of associated
countries in particular with regard to the newly independent
states in Africa which are members of the British Common
wealth It should be pointed out in this connection that
these countries entertain no special desire to join the asso-
ciation as was made clear at the conference of the 11 African
Commonwealth members held in Nairobi on April 6, 1973,
to discuss their future relations with the Common Market
The meeting of ministers of trade from these countries was
convened in conjunction with the fact that talks concerning
extension of the Yaounde Convention (due in 1975) were
to begin in August 1973 In this connection the associated
countries agreed to have talks in Abidjan in May 1973 that
would also be attended by members of the Commonwealth
so as to reach a joint stand on this question As for the
conclusions drawn by the delegates to the Nairobi meeting,
only general principles were discussed on the basis of which
each of the eleven countries could conduct *bilateral* nego
tiations with the EEC This approach to the question would,
it appears exclude any en masse association of the 11 count
ries with the Common Market, on the one hand, and any
confrontation between the Common Market and a united
front of the 19 associated parties to the Yaounde Convention
and the 11 Commonwealth member countries, on the other
The ministers of trade from the 11 countries represented at
the Nairobi meeting showed more interest in prospects for
expanding their trade with the EEC than in any financial
aid on which they might be able to count Another aspect
of the Nairobi meeting was that Nigeria adopted a negative
position regarding both the Yaounde Convention and like
wise the Arusha Agreement (on the basis of which Kenya,
Uganda and Tanzania support trade links with the EEC)
but declared that she would support an agreement *equally*
advantageous for the African and the EEC countries

Attempts to solve these differences at the expense of the
developing countries continue however, the following two
examples serve to illustrate this situation most graphically

The last monetary crisis was accompanied by a major foreign trade offensive on the part of the United States directed first and foremost against the EEC countries The offensive was concentrated above all in the sphere of agricultural produce This was the factor which led the OECD to call a special meeting of ministers of agriculture in April 1973 During the meeting two different approaches to the problem emerged the USA, Canada and Australia stood out for freedom and liberalisation of agricultural markets while the West European countries in particular France and also Japan came out in favour of setting up a mechanism to make prices stay at previously agreed levels As a result no agreement was reached and in the communique published at the end of the meeting the ministers merely stressed their intention to continue the talks at a later date The appeal to the EEC countries from the US Secretary of Agriculture Earl Butz to open their doors wider for American agricultural produce was accompanied by a warning that otherwise the United States might well take steps to obstruct the penetration of its market by the manufactured goods of the EEC countries

3 THE COLONIAL POLICY OF THE OECD

Monopolies in the United States keep pace with their European partners when it comes to making use of various organisations to pursue its neocolonialist ends It was the United States who initiated plans for setting up the Organisation for Economic Co-operation and Development (OECD) which officially began to operate on September 30, 1961, replacing the Organisation for European Economic Co-operation (OEEC) set up back in 1948 to implement the Marshall Plan At the end of the 1950s when the dollar hunger" was over and the European countries had restored their economics and finances and become less dependent on the United States, the OEEC could no longer serve as an instrument of American foreign policy in Western Europe Following the visits of the Undersecretary of State for Economic Affairs, Dillon, and other US officials to the West European capitals, a meeting of the presidents of France and the USA, the Chancellor of the FRG and the Prime Minister of the

UK took place in Paris in December 1959. At the end of this summit meeting on December 21, 1959 a communique was published which defined the new international situation and the main reasons for creating the OECD. An important aspect of these discussions engaged in by the ruling circles of the United States, Britain, the FRG and France was their desire to evolve a common policy with regard to the developing countries. In respect of this aspect of the Dillon Plan *The New York Times* wrote bluntly: "Our goal is not only to hoist underprivileged peoples by the bootstraps but to insure them against communism."[1] The communiqué issued by the four heads of state and government dealt with this subject in the following terms. "Recognising the great economic progress of Western Europe, they have agreed that virtually all of the industrialised part of the free world is now in a position to devote its energies in increased measure to new and important tasks of co-operative endeavour with the object of (a) furthering the development of the less developed countries and (b) pursuing trade policies directed to the sound use of economic resources and the maintenance of harmonious international relations, thus contributing to growth and stability in the world economy and to a general improvement in the standard of living."

Protestations of these four powers' concern" for "stability in the world economy" and above all "improvement in the standard of living" should be taken with a pinch of salt. Many observers even at that early stage regarded that part of the communique as a deal between the four great powers for unifying their policy vis-à-vis the developing countries despite the existence of serious differences between them. After long and intricate negotiations and a whole series of meetings of the preparatory committees and working parties,[3] on April 7, 1960 one of the working parties, or as it was later to be called the 'Four Wise Men',[4]

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[1] *The New York Times*, International Edition, Amsterdam, January 21, 1960, p. 6.

[2] *The OECD. History. Aims. Structure*, p. 10.

[3] Ibid., p. 13, *OECD. Convention of 14th December 1960. Report of the Preparatory Committee. Related Documents*, Paris, December 1960, pp. 93-98.

[4] W. Randolph Burgess (USA), Bernard Clappier (France), Sir Paul Gore Booth (UK) and Xenophon Zolotas (Greece).

presented a final report containing recommendations for the purposes of the new organisation which can be summed up as follows co operation between the Western countries in the spheres of trade and economy was vitally necessary, *they must bear the main responsibility for granting aid to the developing countries*, the OEEC members were to be the founders of the OECD together with the United States and Canada, the future organisation must concern itself not only with problems of development in the economy and trading network of the 20 member countries, *but also with the economic and other problems of the economically less developed countries* [1] This summary shows that the "Four Wise Men", in keeping with the directives of the monopolies the leading capitalist powers, laid special emphasis in their recommendations on the relations of the OECD with the developing countries, suggesting that the member countries elaborate a common policy in relation to the countries of the Third World, and thereby settle the differences between the main partners in imperialism and neocolonialism within the framework and with the help of the OECD at the expense of the developing countries The final agreement providing for the creation of the OECD was accepted by a meeting of ministers from 20 countries on December 13, 1960 and on December 14, 1960 the ministers signed the OECD Convention,[2] which was then ratified by the majority of the member countries (17 of them) by September 30, 1961 This date marks the beginning of the OECD's official activity.

Despite the United States' recognition of the great economic progress of Western Europe" the creation of the OECD, which many politicans and business men used to call, and indeed with good reason, "the American organisation in Europe", represented a definite diplomatic success for the United States What is more important for the purposes of this study is the fact that the convention gave body to the agreement between the leading capitalist countries with regard to the developing countries, and in this respect the OECD was conceived as an instrument of "collective colo-

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[1] For further details see *The OECD History Aims Structure*, p 14.

[2] *OECD Convention of 14th December 1960 Report of the Preparatory Committee Related Documents*, pp 99-109.

nialism, as yet another attempt to unite the forces of neocolonialism so as to combat the national liberation movement and exploit on a joint basis the peoples of the developing countries and their natural resources

Originally the OECD had twenty members. Austria, Belgium Canada, Denmark, the Federal Republic of Germany France Great Britain, Greece, Iceland, Ireland, Italy Luxemburg, the Netherlands, Norway, Portugal, Spain Sweden Switzerland, Turkey and the United States Article 16 of the OECD Convention[1] permitted accession to the OECD of any other country, provided the decision of the OECD Council of Ministers be unanimous The decision to grant Japan special status within the OECD was accepted by the Council of Ministers as early as its first meeting in 1961[2] While working to set up the OECD, US diplomats were aspiring not so much to secure a rapprochement of the two groupings—the EEC and EFTA—and avert a political split in Western Europe and hence within NATO, as to consolidate US monopolies economic and trading interests in Europe

As for the plans of the leading OECD members in working towards a common policy in relation to the developing countries, these found expression in Articles 1, 2 and 3 of the OECD Convention[3] Article 2, for example, states that the members will both individually and jointly (c) contribute to the economic development of both member and non member countries in the process of economic development by appropriate means and in particular, by the flow of capital to those countries, having regard to the importance to their economies of receiving technical assistance and of securing expanding export markets" Agreement was also reached to the effect that the member countries would keep each other informed with regard to plans and steps taken in this direction and also "where appropriate take co-ordinated action" (Article 3)[4] These articles illus-

[1] Ibid, pp 13 14

[2] Later special status was also granted to Yugoslavia, Finland and Australia who participate in the work of a number of OECD committees

[3] *OECD Convention of 14th December 1960 Report of the Preparatory Committee Related Documents*, pp 10 11

[4] Ibid

trate the fact that the OECD Convention officially laid down principles of "collective colonialism", which was thus set up as a principle to be followed in the official international policy pursued by the OECD members According to Article 16, the supreme body of the OECD—the *Ministerial Council* — may invite the government of any country to accede to the convention [1] On July 26, 1963 the Ministerial Council took just such a decision with regard to Japan, who from that day onwards became the 21st full fledged member of the OECD [2]

Apart from the OECD Ministerial Council and its Executive Committee a wide range of committees has been set up within the OECD framework to deal with questions of economic policy (Economic Policy Committee and Economic and Development Review Committee), foreign aid (Development Assistance Committee), trade, payments and related affairs (Trade Committee, Committee for Invisible Transactions, Board of Management of the European Monetary Agreement, Payments Committee, Insurance Committee Maritime Transport Committee, Fiscal Committee Committee of Experts on Restrictive Business Practices, Tourism Committee), agriculture and fisheries (Committee for Agriculture, Fisheries Committee), science (Committee for Scientific and Technical Personnel, Committee for Scientific Research), industry and power (Industry Committee and Energy Committee) and others This complex network is administered from the OECD Secretariat, headed by the Secretary-General The OECD headquarters is in Paris Since space does not permit a detailed study of all the above committees, those whose activities are directly connected with the OECD's policy with regard to the developing countries will be singled out for the purposes of the present monograph

The *Economic Policy Committee* (EPC) is one of the main OECD committees It draws up recommendations for the most important questions of economic policy It collects and analyses economic and other information from all OECD member countries and non members as well The EPC pays

[1] Ibid , p 13.
[2] Later Finland acceded to the convention

special attention to the international repercussions of economic policy measures of individual states or groups of states The Committee s main practical task is to recommend ways for removing obstacles to the free movement of goods and capital [1] The Committee has a number of working parties on longer term problems of economic growth and the promotion of a better international payments equilibrium

An important role is also played by the *Development Assistance Committee* (DAC) officially designed to provide capital and other resources to the developing countries that are vital for their economic advance In practice however the DAC concerns itself primarily with the collection of information relating to foreign investment in the developing countries economic and technical aid (bilateral and multilateral) to these countries and to their economic and financial position In other words the DAC is called upon to collect and analyse information for the leading OECD members to help them single out the most advantageous capital investment spheres and the easiest ways to conquer new markets and also to undermine the growing co operation between the developing countries and the socialist countries on the one hand and among themselves on the other In its publications DAC also publicises the "generosity" of the leading OECD member countries with regard to the developing countries including in its figures relating to this aid loans and credits of both government and private varieties and all types of investments made by foreign monopolies in these countries, etc [2] In an assessment of the DAC s statistical tight rope walking the Swedish economist Gunnar Myrdal wrote But the question must be raised is the practice of the DAC secretariat of simply adding 'private flows to official flows [into the developing countries — V V] really in the interest of charity of thought and of

[1] *The OECD History Aims Structure* p 29

[2] See for instance *Development Assistance Efforts and Policies Report by William L Thorp, Chairman of DAC, 1966 Review, Efforts et politiques d aide au développement Examen 1965* Paris, September 1965 *Foreign Aid Policies Reconsidered* OECD Development Centre Paris 1966 *The Flow of Financial Resources to Less Developed Countries in 1961 1965* OECD, Paris, July 1967 *Geographical Distribution of Financial Flow to Less Developed Countries (Disbursements), 1965,* OECD June 1967

honesty? [1] Myrdal also points out that OECD statistics deliberately omit the extent of the return flow of money and the withdrawal of capital from the developing countries to the OECD countries, emphasising that 'the DAC statistics, quoted everywhere as authoritative, leave entirely open the problem of what the total net private flow of resources from developed countries to underdeveloped countries amounts to and, indeed, *whether there is such a net flow at all* to many of the developing countries, *or, instead an outflow*' [2] (my italics —*V V*) Gunnar Myrdal goes on to maintain that 'the political spokesmen for the developing countries and their economists have on the whole remained naive in regard to this play with statistics [3] The DAC formulates recommendations for joint long-term policy for aid to the developing countries from OECD members, for the 'encouragement" of regional activity and naturally enough for ways of expanding the export of private capital to these countries The ultimate aim and task of the DAC is thus to elaborate methods and manoeuvres for consolidating the leading OECD members' monopoly rights to exploiting the natural resources and the peoples of the developing countries

The *Technical Assistance Committee* deals mainly with the selection of 'experts" and 'volunteers" to be sent to the developing countries so as to reconcile leading competitors and help them share 'spheres of influence" in this field Expenditure of the OECD as such to these ends is small and amounts to approximately 7 5 million dollars a year [4]

At its first meeting in 1961 the OECD Ministerial Council set itself the task of securing 50 per cent growth of the GNP of all OECD members taken together within a decade In this connection it was decided that the average per

[1] Gunnar Myrdal, op cit, p 316
[2] Ibid, p 319
[3] Ibid p 321
[4] See, for instance *OCDE Comité de la Cooperation Technique Programme de la Cooperation Technique pour 1965 (Note du Secrétariat)* TECO (64) 16 Paris November 13, 1964 pp 2 3 *Methods of Industrial Development with Special Reference to Less Developed Areas*, OECD April 1962 *Pilot Survey on Technical Assistance Extended by Private Enterprise*, OECD, November 1967 *Quantitative Models as an Aid to Development Assistance Policy*, OECD, 1967

special attention to the international repercussions of economic policy measures of individual states or groups of states The Committee's main practical task is to recommend ways for removing obstacles to the free movement of goods and capital [1] The Committee has a number of working parties on longer term problems of economic growth and the promotion of a better international payments equilibrium

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[1] *The OECD History Aims Structure*, p 29

[2] See for instance *Development Assistance Efforts and Policies Report by William L Thorp, Chairman of DAC 1966 Review, Efforts et politiques d aide au développement Examen 1965* Paris September 1965, *Foreign Aid Policies Reconsidered*, OECD Development Centre, Paris 1966 *The Flow of Financial Resources to Less Developed Countries in 1961 1965*, OECD, Paris, July 1967, *Geographical Distribution of Financial Flow to Less Developed Countries (Disbursements), 1965*, OECD, June 1967.

capita income in the OECD countries over the period 1963 70 should rise from 1,900 to 2,300 dollars [1] The DAC recommendations allowed meanwhile for a growth in the annual per capita income in the developing countries from 100 to 190 dollars [2] The recommendations drawn up by OECD 'experts" are such as would enable the latter countries to attain the 1963 level of the OECD countries only after 440 years, i e, by approximately the year 2400, and it therefore goes without saying that if these forecasts are taken as a guide, the developing countries will never reach the level which the OECD countries will be enjoying by that time At the same time these experts maintain in a number of official documents that the OECD countries have a "moral obligation to assist in reducing the steadily widening gap between the richer and the poorer countries", acknowledging that 'the industrialised nations cannot effectively pursue their own goal of maximum growth without taking into account the development needs of those which are economically less advanced" On paper they are even prepared to recognise that 'the markets of the industrialised nations should be opened more widely to the developing countries' exports of both primary and manufactured goods" [3]

However, all this is only on paper In practice the OECD's policy is directed to ensuring that this gap remains unchanged Admittedly the leading OECD members are prepared to allow the developing countries to work towards industrialisation that is not limited exclusively to light industry, while making sure, however, that they do not develop their own industrial enterprises for producing means of production The OECD Secretary-General, Thorkil Kristensen, wrote of this as early as 1963[4] noting that the OECD Ministerial Council had decided to undertake a 'comprehensive study of the economic relations, in the widest sense, between the OECD countries and the rest of the world—and in particu

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[1] *Economic Growth 1960 70* Paris, OECD, October 1966, pp 170 71

[2] *The OECD at Work*, September 1964, p 18, *Economic Growth, 1960 1970*, pp 170-78

[3] *The OECD at Work*, pp 19 20

[4] At the annual meeting of the OECD Ministerial Council in 1968 Emile van Lennep of the Netherlands was appointed Secretary General of the OECD and he took up his post on September 30, 1968

lar with the developing countries", Kristensen concluded that it was now necessary "to accept some degree of competition in manufactured goods—in *textiles* [my italics —V V], for example—deriving from the developing countries"[1]

The policy of the leading OECD countries is to make sure that the most profitable branches of the economy of

Table 29

Type of production	Country	1899	1913	1929	1959
Food, drinks and tobacco	USA	24	20	14	11
	OECD*	27	19	15	11
	Britain	27	20	18	14
	Japan	36	26	17	7
Textiles	USA	20	19	11	8
	OECD*	23	18	14	8
	Britain	16	19	12	5
	Japan	32	30	25	11
Metals	USA	9	10	10	7
	OECD*	7	11	11	9
	Britain	7	7	7	8
	Japan	4	3	7	11
Metal articles	USA	10	13	33	41
	OECD*	16	24	27	32
	Britain	16	19	25	38
	Japan	2	15	15	39
Chemical industry	USA	5	6	8	15
	OECD*	5	6	11	18
	Britain	6	6	8	13
	Japan	11	10	20	15
Miscellaneous	USA	32	32	24	28
	OECD*	22	22	22	21
	Britain	28	29	30	23
	Japan	15	16	18	17

* Excluding Britain and the United States

these countries, namely, those branches whose output can be *sold to the greatest advantage, and is most widely used* and sold on foreign markets, are in the hands or under the control of their monopolies This is the basis for their economic and trade policy and it is to this end that they

[1] *The OECD Observer*, January 15, 1963, No 2, p 5

make a "comprehensive study of the economic relations", to which Kristensen referred. The motives behind this policy can be gleaned from the following figures showing the shares of various branches of industry in the OECD countries as a percentage of the total volume of their manufacturing industry.[1]

These figures demonstrate that the industrialised capitalist countries are continually expanding their production of those commodities and items that are advantageous from the point of view of foreign trade (the output of their chemical industry, engineering industry, etc.), while "allowing" the developing countries to develop only consumer goods industries and even some branches of heavy industry.[2] When they assist certain developing countries in introducing industrialisation and make surveys of the economies of these countries, the OECD bodies put forward first of all precisely those demands to which the World Bank and the IMF assigned top importance, as emerges from the recommendations drawn up, for example, by the Business and Industry Advisory Committee to the OECD after its investigation of the Thai economy in February 1968. The Committee urged the Thai Government to facilitate a large inflow of foreign private capital in order to consolidate Thai and foreign private enterprises, strengthen the infrastructure and modernise agriculture. Similar principles are expounded in Kristensen's *Le Problème Alimentaire des Pays en Voie de Développement.*[3]

The advantages to be gleaned from these branches of the manufacturing industry for the leading capitalist countries stand out still more clearly if we bear in mind that they require as a rule cheap raw materials imported by them from the developing countries. This trend is reflected in the changes in the shares of exports accounted for by a number of commodities from the OECD countries. (See Table 30).

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[1] *OECD. Ministerial Meeting on Science. Agenda Item III. Background Paper, Science, Economic Growth and Government Policy*, Paris, October 1963, p. 45.

[2] Which as a rule is also under the control of the monopolies of the leading OECD countries

[3] Thorkil Kristensen, *Le Problème Alimentaire des Pays en Voie de Développement*, Paris, OECD, 1968.

Table 30

Trends in the Export of Certain Manufactured Goods by 12 OECD* Countries (in Stable Prices) as a Percentage of the Whole[1]

Commodities	1899	1913	1929	1929	1937	1950	1955	1959
Group 1		(in 1913 prices)		(in 1955 prices				
Products of engineering industry, including electrical industry	7.5	10.4	11.9	17.1	16.0	21.7	22.3	22.3
Vehicles	—	—	—	3.8	3.8	4.3	4.8	5.9
Other transport equipment	2.9	5.4	16.8	6.4	7.0	10.6	10.4	10.0
Chemical products	7.5	9.1	8.2	6.8	7.6	9.3	11.4	13.3
Total for Group A	17.9	24.9	36.9	34.2	34.4	45.9	48.9	51.5
Groups B and C								
Metals	10.3	13.7	12.7	15.8	16.6	14.9	15.0	14.3
Hardware	6.5	6.5	5.9	7.3	6.3	5.5	4.8	3.9
Textiles and clothing	45.3	34.2	24.9	23.8	23.9	16.9	13.4	12.3
Other items	20.0	20.7	19.6	18.9	18.8	16.8	17.9	18.0
Total for Groups B and C	82.1	75.1	63.1	65.8	65.6	54.1	51.1	48.5
Overall Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* The United States Britain France, the FRG, Belgium, Luxemburg Italy, the Netherlands (since 1929), Sweden, Switzerland, Canada Japan

[1] *OECD Ministerial Meeting on Science Agenda Item III Background Paper Science, Economic Growth and Government Policy*, p 50

Table 31

Trends in the Export of Chemical Products, Cars and Other Machines from 11 Leading OECD Member Countries (in Stable *Prices*) *as a Percentage of Their Total* Exports of Manufactured Articles over the Period 1899 1959[1]

Exporting Countries	1899	1913	1929	1929	1937	1950	1955	1959
	(in 1913 prices)			(in 1955 prices)				
USA	31 2	34 6	62 6	56 4	60 7	65 9	64 8	67 8
FRG	19 0	31 0	36 0	33 2	39 8	46 3	59 8	60 0
Britain	17 3	22 2	30 2	25 5	27 6	49 3	55 2	59 9
Switzerland	12 4	18 7	26 8	26 4	26 3	39 4	47 8	50 9
Sweden	14 8	22 5	38 5	26 0	32 1	46 8	46 9	50 0
Netherlands	—	—	—	51 0	45 6	46 2	46 9	48 0
Italy	6 2	13 6	23 6	33 5	40 1	36 7	43 5	48 3
France	11 9	20 3	32 1	29 7	30 3	33 7	37 2	46 2
Japan	3 3	5 3	8 7	7 2	13 0	14 2	19 5	32 3
Belgium & Luxemburg	22 7	26 5	20 4	27 1	17 9	21 4	22 4	25 4

This trend is illustrated still more graphically by the export indices for such commodities as chemical products, cars and other machines Table 31 contains the export figures for such commodities produced in eleven OECD countries

The study of the extent and nature of aid granted to the developing countries by the leading capitalist countries both on a bilateral basis and through international organisations (the World Bank, IMF, EEC, etc) in earlier chapters *makes it quite clear that this aid is* either of a military character or concentrated on building up the infrastructure, that is, *creating favourable conditions* for the inflow of foreign private capital Aid from the capitalist countries also goes towards financing the export of commodities from the donor countries The OECD pursues a similar policy It should be borne in mind that neither the DAC nor any other OECD body grants direct aid to the developing countries The OECD budget sets aside small

[1] Ibid, p 51

sums to help these countries train administrative personnel for industry and agriculture. Until 1969 the DAC counted 14 leading OECD countries[1] among its members which regarded this field as their "sphere of activity". In 1969 Switzerland joined the DAC. One of the Committee's tasks is to ensure "greater co-ordination of member countries' efforts and policies"[2] in this field. In 1961 the DAC began publishing annual reviews of the aid[3] granted by the OECD countries to the developing states, which contain recommendations as to how best to make use of the experience of other international organisations and institutions.[4]

It was with similar ends in view that the OECD's so-called *Development Centre* was set up in the spring of 1963, although officially it exists to promote the training of personnel for the developing countries. The Development Centre organises courses and seminars, aimed chiefly at arranging the exchange of information and experience relevant to the granting of "aid". At these courses and seminars[5] top officials from the Centre publicise abroad the "generosity" of the leading OECD countries and their desire to "help" the developing countries. In 1963-66 close on 30 such courses and seminars were held. Of course they were not only confined to attempts to publicise the activities of the OECD in the developing countries. In recent years those in charge of the Centre have had to hasten to the help of a number of OECD members, as a result of the beginning crisis affecting the imperialist monetary system and the broad wave of strikes which swept across almost all the OECD countries, and in some even developed into an active class confrontation between the proletariat and the forces of capital to secure political, economic and social rights for the working people. In order to carry out the

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[1] Austria, Belgium, Canada, Denmark, the FRG, France, Great Britain, Italy, Japan, the Netherlands, Norway, Portugal, Sweden and the United States.

[2] *The OECD. History. Aims. Structure*, p. 22.

[3] *Development Assistance Efforts and Policies in 1961*, September 1961.

[4] *Development Assistance Efforts and Policies. 1966 Review*, September 1966, pp. 121-32.

[5] *Development Plans and Programmes (Studies in Development No. 1)*, Development Centre of the OECD, 1963.

social mission of the monopolies, OECD experts in conjunction with the Development Centre prepare various reports, reviews and other material for use at "scientific" seminars for representatives of trade unions and other organisations [1] In these reports OECD experts try to prove the willingness of monopoly capital to collaborate with working class organisations, and demonstrate the 'concern" of the monopolist bourgeoisie anxious to improve wages and both working and living conditions for the working people, appealing to the working class to 'collaborate" with the monopolies and the state to help settle these problems In the three years 1964 66 alone the OECD Secretariat prepared nine reports and reviews and a large number of supplements and appendices to the latter [2] However, it was not until February 1969 that the OECD leaders succeeded in convening in London its first function to promote such 'collaboration"—a conference on policy questions regarding labour power Altogether 150 representatives of governments, trade unions and universities were invited to the conference, in the course of which reports were delivered by OECD 'experts" on questions of 'full employment", measures to combat inflation, etc It is revealing to note that the conference was unable to adopt any unanimous recommendations and had to confine itself to discussions

As pointed out earlier the OECD makes much of its leading members' "generosity" in its publications, listing as "aid" ordinary private investments made by foreign monopolies in the developing countries For example, according to the DAC 1966 review the total sum for the aid granted to the developing countries by leading OECD members that year was given as 10,149,400,000 dollars, of which 3,878,000,000 consisted of private investments, 1,953,700,000 was received in the form of state loans and 740,700,000 in the form of private export credits,[3] in other words these

[1] *Non Wage Incomes and Prices Policy Trade Union Policy and Experience* (Background Report for a Trade Union Seminar), OECD, Paris, 1966

[2] *The Social Sciences and the Policies of Governments*, OECD, January 1966

[3] *Efforts et politique d'aide au développement Examen 1965*, OECD, September 1965 pp 42 47, 61, 135 53, *Development Assistance Efforts and Policies, 1966 Review*, pp 150-51.

Table 32

The Flow of Financial Resources from DAC Countries* to Developing Countries and Multilateral Institutions, 1960 69[1]

(thous mil dollars)

Net Disbursements	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969**
Total Overall	8 11	9 25	8 49	9 63	9 14	10 41	10 35	11 31	13 19	13 30
Total Official (Government loans and credits etc)	4 96	6 14	6 04	6 07	5 9+	6 24	6 52	7 08	7 14	7 25
Total Private	3 15	3 10	2 45	2 56	3 20	4 17	3 83	4 22	6 06	6 05
Including Direct Private Investment	1 77	1 83	1 50	1 60	2 34***	3 42***	2 70***	3 32***	4 46***	4 31***
Private Export Credits	0 55	0 57	0 57	0 66	0 86	0 75	1 12	1 01	1 59	1 73

* Australia, Austria Belgium Canada Denmark the FRG France, Great Britain Italy Japan the Netherlands Norway, Portugal, Sweden, Switzerland and the US
** Provisional figures
*** Including portfolio investment

[1] *Development Assistance Efforts and Policies of the Members of the Development Assistance Committee 1969 Review*, OECD, Paris December 1969, pp 37 39, *World Bank IDA Annual Report 1970* p 71

figures expressed the usual investment activity of the monopolies and the leading banks of the OECD member countries In an assessment of these figures and also the results of the financial aid granted to the developing countries by the DAC members *Le Monde* drew attention to the fact that in the short period 1963-65 the public debt of the developing countries to the DAC had risen from 28,000 to 36,400 million dollars, i e , it had increased by 30 per cent [1] By the end of 1966 the external debts of the developing countries totalled 44,000 million dollars, and they continued to grow in 1967-70, insofar as by then the interest-free periods of repayment of numerous loans had expired, and also because loans were coming to constitute an ever larger share of the total aid By the end of 1968 the external debts of these countries had exceeded 53,000 million dollars [2] The private investments of the monopolies from the leading OECD countries in the developing countries are also growing as

Table 33

The Flow of Private and Official Finance Capital from the Leading OECD Member Countries to the Developing Countries in 1960 68 [3]

(in millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968
USA	3,818	4,549	4,355	4 579	4,771	5 524	5,020	5,645	5,809
France	1,325	1,406	1,395	1 242	1 360	1,244	1,320	1,341	1,483
Britain	881	899	744	721	919	1,028	939	841	769
FRG	628	847	609	621	706	724	792	1 140	1 663
Japan	*246*	*381*	*286*	*267*	290	*486*	625	798	1,049

[1] *Le Monde*, October 19, 1966, p 20

[2] *World Bank IDA Annual Report 1970*, p 71

[3] *Development Assistance Efforts and Policies of the Members of the Development Assistance Committee 1969 Review* p 42

is demonstrated in the figures published by the DAC In 1968 alone the flow of private capital from the DAC member countries to the developing countries went up by over 30 per cent The rivalry between the main OECD members for capital investment spheres in the developing countries is illustrated in the following table

These figures are most eloquent the United States monopolies maintains their leading position in the application of this neocolonialist method in relation to the developing countries As for its main partners in neocolonialism their relative positions changed dramatically over the same period France's position went down from second to third Britain's from third to fifth while the position of the FRG went up from fourth to second and that of Japan from fifth to fourth So this means that Britain and France are gradually conceding their former leading positions in this competitive battle to the FRG and Japan A similar picture emerges from a comparison of the sums granted the developing countries in government aid by the leading OECD

Table 34

State Financial Aid to the Developing Countries in 1968-70[1]
(million dollars)

	1968	1969	1970 (estimated)
All DAC member countries	6 431	6 715	6,724
USA	3 314	3 250	3 000
France	855	860	800
FRG	554	594	700
Britain	428	450	480
Japan	355	408	470

[1] Ibid., p 48

powers in the following official figures put out by the OECD

Here it is important to take into consideration another trend the absolute volume of financial aid to the developing countries from France and the United States is being curtailed while that from the FRG and Japan is growing Britain although she increased the scale of her financial aid during the period indicated (from 428 million in 1968 to 480 million in 1970), is failing to keep pace with the FRG in this respect and conspicuously so Another significant detail was the fact that the FRG went in mainly for private portfolio investment while her official aid was allocated mainly via multilateral channels The net flow of West German capital in those two types of financial aid to the developing countries amounted to 620 million dollars in 1968, or 47 per cent of the total flow of financial capital of these two types from all the DAC countries [1]

In previous chapters it was shown that aid from the OECD countries is as a rule aid with strings attached, in other words aid which obliges recipient countries to buy commodities and equipment from the donor countries Attempts on the part of the DAC to work out and recommend measures to help mitigate the disastrous effects of this aid with strings attached naturally came to naught and indeed could not possibly have done anything else, since the DAC could not have eliminated, even if it had really so desired, capitalist competition from any one of those spheres, including the export of capital and foreign trade The DAC members were naturally not distressed by this state of affairs Meanwhile, however, they manifest deep concern at the fact that guarantees in face of political or commercial risks for private investment on the part of the monopolies from the leading OECD countries have not been secured in all developing countries Calling attention to this fact OECD experts' try to explain, for example, the partial curtailment of the share of private investment in the total volume of foreign investment in the developing

[1] Ibid, p 57

countries (which dropped from 50 per cent in 1956 57 to 30 per cent in 1962)[1] Top officials of the OECD in view of these developments instructed the DAC to elaborate measures designed to secure a climate of confidence These measures in their eyes should remove the risk of expropriation without adequate compensation and ensure strict observation of the terms of agreements and contracts foisted on the developing countries by the foreign monopolies lift the restrictions on the free transfer of capital etc Other OECD bodies also concern themselves with these questions For example the Committee for Invisible Transactions prepared a Draft Convention for the Protection of Foreign Property[2] which the OECD in conjunction with the World Bank obliged the developing countries to accept The OECD s Fiscal Committee at the same time drew up recommendations for those countries the acceptance of which was designed to secure a privileged position for the monopolies from the OECD countries in relation to local entrepreneurs or companies

The OECD inherited from the Organisation for European Economic Co operation drafts for two codes the Code for the Liberalisation of Capital Movements and the Code for Current Invisible Operations[3] which were completed and later foisted on the developing countries in order to promote the interests of the monopolies from the OECD countries In addition OECD experts drew up the draft for an International Investment Guarantee Corporation which was then sent to the World Bank for approval the Bank at the request of the OECD Ministerial Council presented this draft to the United Nations in the form of a report thereby hoping to involve the United Nations in securing protection for investments in the developing countries made by the monopolies and banks from the OECD countries[4]

Approximately 20 per cent of all the aid granted the

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1 *The OECD at Work* p 25
2 *The OECD at Work* p 26 see also *World Bank IFC ID* 1966 *Annual Meetings of the Boards of Governors Summary Proceedings* p 6
3 *The OECD History Aims Structure* p 24
4 *Development Assistance Efforts and Policies 1966 Review* p 43

developing countries by OECD members is technical aid, which in practice involves the sending of "experts" and volunteers" to the developing countries and additional training courses laid on for personnel from these countries in OECD states In 1963, for instance, the OECD countries sent 84,000 experts and volunteers to the developing countries and laid on courses for 42,000 trainees from the latter Together with deliveries of equipment to be used for training purposes this technical aid cost the developing countries a total of 864,300,000 dollars[1] although it proved of little use insofar as the OECD experts and in particular the volunteers spent most of their time propagating the 'advantages' of capitalism and attempting to create a favourable climate' for the inflow of commodities and private capital from the OECD countries rather than actually training local personnel At the beginning of 1966 the total number of experts and volunteers sent to the developing countries by the fifteen members of the DAC came to around 92,000 The subsequent increase in their numbers points to the intention of the OECD countries to concentrate their attention on consolidating the social infrastructure' in the developing countries (trade schools, etc) [2] A typical example of this type of OECD activity was the so called Mediterranean Regional Project[3] to assist economic and social development, which was accorded the special approval of the OECD top administration, eager to involve the countries of Africa and the Middle East in this and similar undertakings

Of course, the offer to young trainees and graduates of the opportunity to improve their qualifications and theoretical grounding could well be of help to these countries in their scientific and cultural advancement and efforts to expand the education network and training facilities In practice, however, this type of aid does not yield conspic

[1] *The OECD at Work*, p 29, *Efforts et politique d aide au developpement*, pp 158 59

[2] *Development Assistance Efforts and Policies 1966 Review*, p 88

[3] For further details see *The Mediterranean Regional Project An Experiment in Planning by Six Countries*, OECD, Paris December 1965, p 4, *A Technical Evaluation of the First Stage of the Mediterranean Regional Project*, OECD, October 1967

uous results and in a number of cases it brings gain only to the OECD countries This aid is organised witho it sufficient attention being paid to the needs and interests of the developing countries and their capacity for putting young specialists for good use In addition the leading OECD countries often tempt young trainees and graduates with material incentives to stay on in the developed countries indeed over half of them settle as a rule in the OECD countries instead of returning to their homes This *brain drain* is now a major problem facing the developing countries and also various of the OECD members According to OECD figures every year from 1952 to 1963 immigrant scientists and engineers into the United States amounted to more than 4 per cent of the total number of domestic graduates in engineering and science reaching a peak of 8 per cent in 1957 In 1963 alone 2 232 scientists and engineers emigrated to the United States from Western Europe (the figure for 1962 was 1 684) Over the period 1956 61 over 6 500 scientists and engineers from Britain France the FRG and the Netherlands alone emigrated to the United States this figure representing approximately 6 per cent of the total number of new graduates in those countries over the given period It is also interesting to note that over 20 per cent of the members of the US National Academy of Science were born outside their country and over 18 per cent were educated abroad while a third of all American Nobel Prize winners were of foreign extraction

This brain drain represents a real calamity as far as the Latin American countries are concerned Between 1950 and 1964 5 239 specialists emigrated to the United States from Argentina alone (984 engineers 925 doctors and 228 chemists among their number) the education of each having cost the Argentine Government no less than 20 000 dollars Every year 21 7 per cent Guatemalans settle in the United States after graduating from university, the respective figures for Honduran, Nicaraguan and Salvadoran graduates were 15 3, 25 and 33 8 per cent [1]

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[1] *The Research and Development Effort in Western Europe North America and the Soviet Union* ed by C Freeman and A Young, Paris 1965, pp 57 59 76

The Asian countries also suffer considerable losses as a result of the brain drain For example, in 1963 alone the number of scientists and engineers emigrating from that continent to the United States came to 1,262 (as compared with 520 in 1962)[1] In assessing these figures it is important to bear in mind the limited opportunities these countries have for training their own personnel

Africa, which is probably worst off for trained personnel, is not immune to these dangers either this 'drain of grey matter" has become a new form of exploitation of the Third World This type of plunder has a long history It can be traced back to the days of Negro slave trade which enabled the United States monopolies to exploit its natural resources quickly and at low cost Later they started using cheap labour on the spot in Africa, not to say labour that went unrewarded altogether, having recourse to coercion, particularly in African and Asian colonies In the present situation methods for exploiting the available labour force in the developing countries have been updated" These include immigration, no longer coercive but nonetheless organised and complete with material incentives, which does not mean however that the exploitation of both unskilled labour and medium skilled personnel in the developing countries is on a smaller scale than it used to be

The US monopolies, which decoy two thirds of all scientists and graduate personnel emigrating from other countries stand to gain the most from this brain drain The main suppliers of the 'grey matter" are Great Britain, the Scandinavian countries, Canada, Latin America and such Asian countries as India, Pakistan and the Philippines Great Britain which suffers a great deal from this brain drain to the United States tries to fill the resulting gap with equivalent personnel from other countries, including the developing countries for example, in 1969 as many as 40 per cent of Britain's doctors and

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1 Ibid , p 658, see also R Avakov, V Gavrilyuk, *Brain Kidnapping*, Russ ed , Nauka Publishers, Moscow, 1970, G Skorov, *The Developing Countries Education, Employment, Economic Growth*, Russ ed , Nauka Publishers, Moscow, 1971, pp 344 57.

nurses were immigrants from India, Pakistan, Tanzania and other developing countries.

It is therefore hardly surprising that the brain drain has become a subject of special concern not only for the developing countries but also for West European countries, especially Britain which is now even being deserted by members of the Royal Society.[1] This problem has since been brought up for discussion in the United Nations, UNESCO and other international organisations. The OECD has also found itself obliged to come to terms with this question.[2] According to an estimate arrived at by the French sociologist D. Chorafas, by the end of 1966 the number of scientists and engineers who had emigrated to the United States from Western Europe since 1961, i.e., during a mere five years, came to 72,000, 23,000 of whom were from Britain, and in 1967 20 per cent of that year's university graduates emigrated. Commenting on the disastrous effect this brain drain is having on the advancement of science in Europe, Chorafas drew attention to the problem of so-called "invisible emigration" stemming from the employment by large American companies installed in Britain of hundreds of British staff, whose work goes exclusively to promote the interests of the US monopolies, which finances the scientific and technical research conducted in such organisations, the aims and content of which it also determines. It has however recently come to light that in 1971 a reverse flow of emigration from the United States began: as yet this phenomenon is only on a small scale, particularly with regard to scientists and graduate personnel, and emigrants from the United States numbered so far only a few thousand a year. Apart from Israel, 20 per cent of whose immigrants are from the United States, it is Canada and Australia which the majority choose, virtually ignoring Western Europe. The start of this new trend is caused among other things by the growing unemployment in the United States, includ-

[1] According to figures assembled by the well known French sociologist D. Chorafas, between 1957 and 1962 nine members of the Royal Society left Britain. See also Walter Adams, *The Brain Drain*, London, 1968.

[2] *Fundamental Research and the Policies of Governments*, OECD, January 1966, pp. 51, 67, 71.

of their foreign policy: namely, to promote the interests of their monopolies and banks in the Third World. Certain admissions of this state of affairs are even to be found in official OECD documents One of the research papers[1] published by the OECD contains excerpts from the report of a special committee headed by General Lucius Clay drawn up for the President of the United States,[2] which openly call for more effective use of various aid programmes in the interests of US foreign policy. Of course, the authors of this research are in complete agreement with the conclusions drawn by American public figures and politicians on this subject.[3] Another important fact to bear in mind is that the geographical distribution of aid from the leading OECD countries (Britain, France, Belgium, the FRG and the United States) more often than not coincides with the areas where their neocolonialist interests are centred,[4] as is frequently pointed out in OECD publications. OECD leaders found themselves obliged to make yet another admission, to the effect that the extent of the aid granted the developing countries by the OECD members is too small to have any conspicuous influence on their economic development. In one of the Organisation's research papers it was noted that in 1962, for example, OECD aid (in per capita terms) came to an average of 13 6 dollars for the African countries north of the Sahara, 4.4 dollars for the African countries south of the Sahara, 4.1 dollars for the Latin American countries, 5 dollars for the countries of Middle East, 1.9 dollars for the countries of South Asia and 3.3 dollars for the Far Eastern countries [5] This admission is also borne out by figures illustrating the overall economic development of African, Asian and Latin American countries in the period 1960-68 published by the OECD in 1969. (See Table 37.)

[1] *Goran Ohlin, Foreign Aid Policies Reconsidered*, OECD, Paris, 1966, pp. 17-26.

[2] See US Senate Special Committee to Study the Foreign Aid Program. *Foreign Aid Program Compilation of Studies and Surveys*, Washington, D.C , 1957.

[3] Goran Ohlin, op. cit , pp. 26 27.

[4] Ibid., pp. 35-49.

[5] Ibid., p. 69.

Table 37

Growth of the Developing Countries' GNP* in 1960-68[1]
(percentage)

Countries and Areas	1960 65	1966	1967	1968	1960 68
Africa	3 4	2.2	3 7	3 9	3 4
South of the Sahara	2 4	—	3 9	5 3	2 6
Latin America	4 7	4 4	4 3	5 5	4 7
Central and North America	5 9	7 2	6 1	6 6	6 2
South America	4 2	3 1	3 4	5 1	4 1
Asia	4 8	4 8	7 6	5 7	5 3
Middle East	7 7	6 2	7 6	9 2	7 7
South Asia	3 6	2 7	9 4	4 8	4 3
Average for the world as a whole	5 0	4 9	5 5	5 3	5 1

* According to 1960 prices

The establishment and activities of the OECD represent yet another attempt on the part of the monopolies of the leading capitalist powers to unite their efforts and co ordinate their policies vis à vis the developing countries and reconcile their differences at the expense of the Third World The activities of the various committees, the Development Centre and other OECD bodies, their collaboration with a certain number of international organisations, and in particular with the specialised UN bodies, were important to the OECD in order that it should be able to disguise the neocolonialist essence of the policy of its leading members

The OECD has, however, failed to reconcile the differences between its leading members problems that beset the EEC,

[1] *Development Assistance Efforts and Policies of the Members of the DAC 1969 Review*, p 96

the increasingly tense relations between France and the FRG Britain and France the USA and France and France s withdrawal from NATO's military bodies and finally the causes of contention between the United States and Western Europe provide sufficient proof of the fact that this aim has not been achieved The hope that the OECD would provide a link up between the Common Market and EFTA particularly in view of the entry into the Common Market of Britain and certain other members of EFTA (Denmark and Ireland) has not yet borne fruit while doubts that Britain would be able in 1967 71 to achieve a surplus in her balance of payments and pay off her debts have been confirmed Differences and contradictions between the leading members of the OECD came clearly to the fore during the meeting of the OECD Ministerial Council in November 1967 The main reason for this was the devaluation of the British pound which had exposed the US dollar to danger When introducing emergency measures to cut the deficit in its balance of payments the United States representatives decided to make use of the OECD to this end as well At the November (1967) meeting of the OECD Ministerial Council the American representative Walt Rostow declared that not only the United States but also the European countries and first and foremost the EEC countries should participate in the solution of this problem [1] Yet the ministers from the other OECD countries did not accept this idea in their speeches they drew attention to the serious blow the devaluation of the pound had dealt at world trade and expressed their concern at Britain's and the United States' chronic balance of payments problems These views were expressed in a particularly harsh form by the French Minister of Economic Affairs and Finance Michel Debre, who stated that the United States and Britain must take steps to improve their balance of payments stressing that the main reasons for the chronic deficit was their enormous overseas military spending Debre insisted that a reform be effected of the international monetary system which was then going through a crisis, mainly as a result of the position held

[1] By taking on themselves part of America s military expenditure in Europe and increasing their imports from the USA, etc

by the United States and Britain, who ought to take upon themselves financial responsibility for this reform as well This meant that the two main sponsors of the creation of the OECD were subjected to criticism and in the communique issued at the end of the meeting it was stressed that the ministers had noted the deficit in the British and US balances of payments on the one hand and the surplus in those of the EEC countries on the other

Closer agreement was reached at that meeting of the OECD', Ministerial Council with regard to the question of trade with the developing countries The meeting discussed the general recommendations drawn up by a special working group concerning temporary special tariffs for imports from the developing countries It was decided that these recommendations could serve as the basis for the position adopted by the OECD countries at the second UNCTAD conference in Delhi (which took place in February March 1968) However, serious differences came to light when the OECD members attempted to elaborate a common trade policy for their dealings with the developing countries The crux of the matter was that up until the conference of presidents from both Americas in Punta del Este, the USA had objected to the introduction of temporary and gradually diminishing preferential tariffs on some of the commodities exported by the developing countries, while during the Punta del Este conference President Johnson had agreed in principle to the introduction of such preferential tariffs as a sop for the Latin American countries The EEC countries and Britain moved by the same motives agreed to similar preferential tariffs after the first UNCTAD conference Later the OECD working group drew up its recommendations on this question which were discussed at the OECD Ministerial Council's meeting in November 1967 The contention at the meeting centred mainly round the proposal put forward by the United States for the gradual abolition of preferential tariffs granted in return to the EEC members by the associated countries France and other EEC members saw this proposal as an attempt on the part of the US monopolies to extend their markets in the associated countries and naturally turned down the proposal The representatives of a number of OECD countries stipulated their reservations with

regard to other proposals put forward by the OECD working group as well although these were in the main approved This approval was strictly formal though the leading OECD members often make use of the Organisation to put off solving various problems in other international organisations referring to the necessity of studying such questions within the OECD framework and elaborating a united approach to them first The Swedish economist Gunnar Myrdal had the following to say on that subject When a particular problem is taken up for intergovernmental discussion this is often used as an excuse for individual developed countries not to take national action on their own part [1] Myrdal makes it quite clear that the leading members of the OECD are responsible for UNCTAD s ineffectiveness and are intent upon putting UNCTAD on ice pointing out that precisely the OECD the rich men s club has become the main instrument for organising sabotage against UNCTAD [2] The atmosphere at the OECD Ministerial Council s meetings in 1968 70 was similar and on each occasion the representatives of the leading OECD countries went out of their way to demonstrate that the difficulties they were up against prevented them from granting more effective aid to the developing countries

The difficulties now confronting the capitalist countries should not of course be underestimated Problems concerning balances of payments inflation the crisis of the monetary system of capitalism as a whole occupied a prominent place on the agendas of various OECD bodies in 1969 72 Inflation was affecting not only the United States where the army of unemployed numbered 5 million by November 1970 but practically all the OECD countries According to OECD figures in 1971 inflation increased in Britain by 6 per cent in the FRG and Italy by 5 5 per cent and in France by 4 5 per cent OECD experts had every reason to fear a general crisis that would not only disrupt the main currencies but also set off terrible economic chaos and they recommended the governments concerned should combat inflation by

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[1] Gunnar Myrdal op cit p 308
[2] Ibid p 309

increasing unemployment and freezing production capacities [1]

The meeting of the OECD s Ministerial Council presided over by Giscard d'Estaing[2] and held between May 20 and 22 1970 set a new growth objective close on 65 per cent for the OECD area as a whole[3] over the ten years (1971 80), however, judging by the state of affairs that had taken shape in the OECD countries by the end of 1970 these targets must be regarded as extremely optimistic The

Table 38

Indices[4]	FRG	Italy	France	Benelux	EEC	UK	Denmark	Norway	The Nine	USA
Population (in millions)	60	52	50	22	184	55	5	4	248	201
GNP (in thous mil marks)	565	277	397	186	1 425	369	46	34	1 874	3 236
Steel Production (mil tons)	41 2	17	20 4	19 8	98 4	26 3	0 5	0 8	126	121 6
Merchant Fleet (mil of tonnage)	6 5	6 6	5 8	5 6	24 5	21 9	3 2	19 6	69 2	19 7
Cars (in millions)	12 5	9 2	13 6	4 5	39 8	13 0	0 9	0 6	54 3	102
TV sets (in millions)	13 5	7 7	8 1	4 8	34 1	15	1 1	0 6	50 8	74 1
Tax Revenue (in thous mil marks)	148	68	110	46	393	141	13	10	557	1 025

[1] *Le Figaro* November 17 1970 p 16

[2] In 1971 the US Secretary of State William Rogers was elected President of the OECD Ministerial Council

[3] *The OECD Observer* No 46 June 1970 p 4

[4] *Der Stern* April 2[illegible], 1970 No 18 pp 14[illegible]-45

'harmonious" activities of the OECD, in the opinion of many observers, may be obstructed the growing efforts on the part of the West European countries to amalgamate their economies and financial organisations in order to counter first and foremost US economic pressure This temptation is great and in the present circumstances most understandable Even a brief comparison of economic and some other indices for the USA and the European Nine[1] makes this perfectly clear (See Table 38)

When analysing these figures, however, it is necessary to take into account other factors, including the extent of American investment in Europe, which over the last ten years has multiplied several times over According to data published by the European Communities' Commission American private investments in the EEC countries alone between 1958 and 1969 multiplied five times over reaching a total of 10 200 million dollars in 1970, and they increased by 3,100 million dollars in 1970 (as opposed to 420 million in 1958) American firms and companies sold commodities totalling 14,000 million dollars in 1968 (as opposed to 4,800 million dollars in 1961) in the markets of the EEC countries The profits gleaned by those firms and companies in 1970 came to close on 11,000 million dollars, about 85 per cent of which was reinvested in Western Europe For a number of years the EEC countries' trade balance with the United States has shown a deficit which came to 2,400 million dollars in 1970

When it came to "aid" to the developing countries, the OECD Ministerial Council ratified the DAC's recommendations for increased multilateral aid The Council also officially came out in favour of improved trade terms for these countries and better terms for the aid they receive and the gradual elaboration of preferential tariffs, while adding that this last question would require further study and the setting up of a competent apparatus, etc [2] There has not yet been however any improvement in trade terms for the developing countries Despite the *increase in their ex-*

[1] The EEC countries and would be members, Britain, Denmark and Norway
[2] *The OECD Observer* No 46, June 1970, p 5

ports by 8 9 per cent in 1968 (and in 1967 by 3 6 per cent) the total deficit in their balance of payments decreased that same year by a mere 400 million dollars from 5 500 million dollars in 1967 to 5,100 million dollars in 1968 The reasons were the perennial ones falling prices for raw materials and agricultural produce from the developing countries, in particular for jute and rubber [1]

Thus it can be seen that the OECD is being helped on by the efforts of its leading members to solve at least part of their problems and settle part of their differences at the expense of the developing countries, and at the same time to "save" capitalism or foist it on the developing countries Attempts to solve these differences at the expense of the developing countries continue however, the following two examples serve to illustrate this situation most graphically

The last monetary crisis was accompanied by a major foreign trade offensive on the part of the United States directed first and foremost against the EEC countries The offensive was concentrated above all in the sphere of agricultural produce This was the factor which led the OECD to call a special meeting of ministers of agriculture in April 1973 During the meeting two different approaches to the problem emerged the USA, Canada and Australia stood out for freedom and liberalisation of agricultural markets while the West European countries, in particular France and also Japan came out in favour of setting up a mechanism to make prices stay at previously agreed levels As a result no agreement was reached and in the communique published at the end of the meeting the ministers merely stressed their intention to continue the talks at a later date The appeal to the EEC countries from the US Secretary of Agriculture, Earl Butz, to open their doors wider for American agricultural produce was accompanied by a warning that otherwise the United States might well take steps to obstruct the penetration of its market by the manufactured goods of the EEC countries

It is also assumed in OECD circles that this foreign trade offensive of the United States may be followed by attempts

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[1] *Development Assistance Efforts and Policies of the Members of the DAC 1969 Review*, pp 89 91

to persuade the West European countries to share their oil resources with the USA, if a crisis in world oil supplies should develop This may well account, at least in part, for the proposal put forward by the USA that the OECD should come up with recommendations for the distribution of oil resources, a shortage of which has made itself felt recently in both the United States and Canada These steps would appear to represent an attempt to evolve a joint policy for the main OECD members in the oil battle' between the monopolies of those countries and the oil-producing countries of the Third World

In general, it would appear that the leading members of the EEC and the OECD are again trying to reconcile their differences above all at the expense of the developing countries with regard to both agricultural markets and oil

CHAPTER VI

ALLIANCE FOR PROGRESS AND PROBLEMS OF ECONOMIC INTEGRATION IN LATIN AMERICA

1 EXPANSION OF US BANKS AND MONOPOLIES

After launching the Monroe Doctrine in 1823 the United States gradually began to expand its influence in Latin America While the slogan America for the Americans still retained part of its original positive significance insofar as it was directed against the colonial policy of the European powers later the Chapultepec Declaration of 1945 and in particular the mutual assistance treaty of 1947 served to consolidate US domination (of the military variety among others[1]) throughout the continent The slogan America for the Americans was soon to give way to the slogan America for the United States By this time the USA had started perpetrating acts of intervention and adopted a hostile stance vis a vis Colombia a number of Caribbean and Central American countries and last but not least Mexico These hostile acts were as a rule of an overtly imperialist character particularly while Presidents Theodore Roosevelt and Woodrow Wilson were in office when they were aimed at promoting the expansion of US banks and trusts in Latin America Leading American monopolies such as the American Fruit Company Anaconda Copper Mining and American oil companies till very recently recognised no authority but their own in the Latin American countries dictating to the latter the economic policy they should follow and even

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[1] The treaty of 1947 provided for the setting up of the Interamerican Defence Board (IDB)

engineering the overthrow of governments on numerous occasions

In 1959 close on one-third of the United States' total investments in the Latin American countries were concentrated in Venezuelan oil and even the insignificant part of the profits of such companies as Standard Oil of New Jersey, Texaco, Standard Oil of California and Standard Oil of New York paid by the latter to the Venezuelan Government accounted for over 60 per cent of that country's revenue.[1]

In Argentina foreign companies produce 94 per cent of the cars, 88 per cent of the food concentrates and 77 per cent of the fibres used. It is they that control production of tractors, rubber articles, calculating machines and numerous other commodities. Standard Oil, Shell and Cities Service and other North American and West European companies have secured a firm foothold in Argentina's oil industry.

As far back as 1946 the United Fruit Company and its branches (such as Standard Fruit) owned or chartered over 70 per cent of all banana-carrying ships: in the seven main banana-producing countries[2] United Fruit controlled by that time up to 90 per cent of the total production[3] after taking over the best arable land. The opportunities at the disposal of this and other American companies for bringing pressure to bear on the policies pursued by these countries can be easily deduced from the following facts: they control the whole of the Honduran mining industry, 95 per cent of its wood-processing industry, 90 per cent of its bank shares and 60 per cent of the country's most fertile land; United Fruit and Standard Fruit alone control 50,000 square kilometres of land in Honduras.

By 1966 the American monopolies had seized over 80 per cent of the iron deposits so far discovered, close on 70 per

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[1] See *U.S. Business Investments in Foreign Countries*, Washington, D. C., U.S. Department of Commerce, 1960

[2] Honduras, Costa Rica, Panama, Guatemala, Colombia, the Dominican Republic and Ecuador.

[3] John P. Powelson, *Latin America: Today's Economic and Social Revolution*, New York, Toronto, London, 1964, p. 90.

cent of the bauxite deposits, nearly 90 per cent of the zinc and copper deposits and over 80 per cent of the lead in the whole of Latin America.[1] It should be noted in this connection that over 80 per cent of the mining industry in this particular continent is centred in Chile, Mexico, Venezuela, Argentina and Peru.

Up until 1968 over 80 per cent of Chile's copper industry was in the hands of American companies: Chile Exploration, Santiago Mining, Andes Copper Mining and Braden Copper. The first three of these firms belong to the Anaconda corporation (Morgan and Rockefeller capital) and the fourth firm is a branch of Konnecott Copper Corporation.

Anaconda Copper Mining, Konnecott Copper Corporation, American Smelting and Refining Company, American Metal and a number of others have been until recently in control of the extraction and processing of other nonferrous metals in Chile, Peru, Venezuela, Mexico and some other countries, at the same time United Steel Corporation and Bethlehem Steel Corporation have dominated iron and manganese mining throughout Latin America. US banks and insurance companies control the finances of the majority of Latin American countries thus gleaning enormous profits.[2] Until recently Pan American Life, Johnson and Higgings, American International Underwriters, and others were in control of the majority of insurance companies in Venezuela, the Chase Manhattan Bank virtually swallowed up that country's commercial and agricultural banks transforming them into one of its own branches, while the First National Bank, the Royal Bank of Canada and the Rockefeller food distributors conduct their financial operations, which are not infrequently of a speculative nature, disregarding practically all controls. In the course of the last ten years or so more than 50 Argentine companies have been taken over by foreign, mostly American, firms and over 100 banks formerly in Argentine hands are now almost completely dominated by foreign banks and their branches.

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[1] John P. Powelson, *Latin America: Today's Economic and Social Revolution*, pp. 128-36, see also *US Neocolonialism in Latin America*, edited by B. I. Gvozdaryov, Russ. ed., Nauka Publishers, Moscow, 1970, pp. 120-25.

[2] See *The Evening Star*, May 20, 1969.

The international crisis of the thirties that hit first and foremost the United States undermined that country's prestige in Latin America to a considerable extent It was then felt that the time had come for a 'new approach' It is in the light of those developments that President Roosevelt's proclamation of a New Deal should be viewed the 'good neighbour policy' ushered in by him in relation to Latin America went a long way towards helping the United States reorganise and consolidate the pan American system in its own interests It is important however to remember that the United States on a number of occasions violated the principles of this good neighbour policy

This gave the American monopolies a chance to consolidate their position in the continent, increase their investments and reap increasingly large profits In the course of a single year, 1957 for example, the total value of US investments in Latin America increased by over 1,160 million dollars,[1] and in 1959 the total value of US direct private investment there amounted to 8 218 million dollars[2] Official OECD and World Bank publications sometimes contain misleading figures on the inflow of US private capital to the Latin American countries for 1961 62 (141 million and 32 million respectively) The American economist Edward S Mason had the following to say on the subject These figures are of course misleading as indicators of foreign private investment in Latin American productivity and development They do not take into account either the very large reinvestment by American firms in Latin America of earnings and depreciation allowances or the attendant flows of new techniques and managerial competence [3] To this comment should also be added the fact that this state of affairs illustrates how the enormous profits of the American monopolies in Latin America enable them

[1] Edward S Mason *Foreign Aid and Foreign Policy*, New York Evanston 1964 p 72

[2] Of which about 3 000 million was invested in Venezuela 955 million in Cuba 839 million in Brazil 759 million in Mexico, 729 million in Chile and 427 million in Peru (John P Powelson op cit, p 91)

[3] Edward S Mason op cit p 72

1926 to 1970 500 million dollars' worth of profits.[1] It was pointed out earlier in this analysis that, in the words of US Senator Charles Mathias, the flow of capital from Latin America into the United States exceeded the flow from the USA into Latin America more than four times over.

This all goes to show that *instead of getting aid to Latin America is being bled white by the US monopolies and banks which exploit its financial resources and by its natural wealth and manpower.*

When pursuing their neocolonialist policies the US monopolies in Latin America, like elsewhere, resort to such methods of exporting capital as the creation of mixed companies and associations, and associated banks. The Secretary-General of the OAS, Galo Plaza, also called for active application of these methods, pointing out that when setting up international corporations of this kind investors would have no need to fear nationalisation and encouraged them to use these methods to promote economic integration in Latin America. Assistant Secretary for Inter-American Affairs Charles Meyer gives similar advice to the monopolies, prompting them to collaborate with local businessmen. Methods of this type enabled the Chase Manhattan Bank and the Deutsch-Südamerikanische Bank A. G. to virtually take over the Banco Argentino de Comercio in March 1969.

Systematic plunder of the Latin American countries by the US monopolies is also practised in the trade sphere. In an assessment of the trade policy pursued by the USA and other capitalist powers and the problems confronting the Latin American countries in their foreign trade with the leading capitalist countries, Edward Mason wrote: "The areas of trade policy that appear to be of greatest concern to the Latin American countries are the following: discriminations against Latin American exports imposed particularly by the preferential systems of the British Commonwealth and the European Common Market; barriers to traditional Latin American exports imposed not only at the frontiers but in the form of high internal taxes on the consumption of tropical products; the lack of preferential treatment for the manufactured exports of less developed

[1] *The New York Times*, February 3, 1971, p. 2.

countries as against similar exports from the developed countries; and most importantly, international arrangements for stabilising and increasing the price of various export commodities."[1]

The application of neocolonialist trading practices has a disastrous effect on the economic and financial position of the Latin American countries, whose main trading partner still remains the United States. These countries' main export items are primary products: metal ores, oil, coffee, bananas, cotton, meat and wool. A question of vital concern to these countries is stable coffee prices, since coffee accounts for 50 per cent of Costa Rica's exports, 55 per cent of Brazil's, 70 per cent of Guatemala's and Haiti's exports, and 75 per cent of Colombia's exports. By holding down prices on coffee and other traditional exports from Latin America the US monopolies deprive these countries of hundreds of millions of dollars every year: for example, over the last fifteen years the average price of one ton of Brazilian exports has fallen from 350 to 78 dollars. After a long struggle the Latin American countries managed to persuade the United States to sign the International Coffee Agreement in 1962. The advantage to be gained from this agreement for Brazil has since been more or less cancelled out by increases in the taxes to which Brazilian coffee is subjected within the United States: one such increase was of 13.9 per cent in April 1969.

Non-equivalent exchange is not the only neocolonialist trading practice employed in relation to the Latin American countries. After gaining control of the Latin American market and foisting on the countries of that area commodities that have not proved saleable on the US domestic market—this applies in particular to "food surpluses"—the US Government then proceeds to lay down restrictions for the volume of traditional exports from the Latin American countries it is prepared to allow in. This phenomenon is viewed by Edward Mason in the following light: "We [i.e., the USA.—*V.V.*] drastically limit oil imports, including oil from Latin America. We have,

[1] Edward S. Mason, op. cit., p. 82.

on occasion, imposed quantitative limitations to imports of lead, zinc, and copper. We have, sometimes for health reasons, imposed barriers to the importation of Argentine beef We have traditionally imposed a high tariff on wool, which particularly affects Uruguay and Argentina. All these barriers need to be re-examined in the light of our participation in the Alliance for Progress. It would, however, take a bold prognosticator to foresee rapid progress here."[1] As a result the share of Latin American exports to the United States between 1955 and 1966 dropped from 44 to 33 per cent of the continent's total exports and food exports to the United States from 51 to 34 per cent of the total. The overall picture for these countries' trade with the United States also showed a corresponding downwards curve, as is demonstrated, for example, by the figures for 1968 published by the UN Economic Commission for Latin America (ECLA). According to these figures Latin America's overall trade balance for that year showed a small surplus(+242,700,000 dollars) mainly thanks to the surpluses achieved by Venezuela and Argentina. However, the trade balances in 15 of *the Latin American countries showed* a deficit that year, which all in all came to 793,800,000 dollars.

American propaganda makes a good deal of the USA's *"generosity", extolling the programmes for* aid to the developing countries, including those of Latin America. In reality the US bilateral financial aid to the Latin American *countries since the war up to the victory of* the Cuban revolution consisted in the main of loans granted by the Export-Import Bank of the United States in the form of *trade credits. This financial aid (approximately 150* million dollars a year)[2] could not possibly be compared with the aid granted to Western Europe in the early post-war years *(to "save" capitalism in those countries) that came* to close on 14,000 million dollars.[3]

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[1] Edward S. Mason, op. cit., p. 53.

[2] *US Neocolonialism in Latin America* edited by B. I. Gvozdarev, p. 10.

[3] Edward S. Mason, op. cit., p. 75.

This programme was officially inaugurated by President Kennedy on March 13, 1961; it represented yet another new approach on the part of the United States to its "co-operation" with Latin America The Alliance for Progress *programme was drawn up without the participation of the Latin American countries* It was indeed only in 1964 that the Latin American countries were first officially allowed to participate in a discussion of the results achieved by this programme, when the Inter-American Committee on the Alliance for Progress was set up and held its first meeting on July 10 24, 1964 [1] It therefore hardly comes as a surprise to learn that the programme enjoyed little authority or support in Latin America [2] John Powelson described the programme in the following terms "In Latin America there are certain governments that obviously feel that the Alliance for Progress is a device to capture the agrarian revolution and head it off"[3] While supporting agrarian reform in theory, the United States in practice consolidates the power of the land-owning class in Latin America this loyal ally of the US monopolies is of course opposed to agrarian and social reforms which have been long a vitally important question in the countries of that continent [4] It needs but few figures to bring this point home by the end of 1965, 72 6 per cent of the farms with land under 60 acres accounted for only 3 7 per cent of the agricultural land, while 1 5 per cent of the farms, the large latifundia (each incorporating more than 2,500 acres) accounted for almost 65 per cent of all the arable land in the continent as a whole [5] Another factor which holds back agricultural advance is the practice of hacienda, a type of feudal peonage, vestiges of which are still to be found in a number of countries Although the majority of Latin American countries are agrarian, they are, however, unable to satisfy their

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[1] *Organizacion de los Estados Americanos Informe Anual del Secretario General 1965*, pp 36, 38

[2] Edward S Mason, op cit , p 99

[3] John P Powelson, op cit , p 67

[4] *Social Aspects of Economic Development in Latin America* Vol 2, UNESCO, 1967

[5] *Britannica Book of the Year 1966*, p 28, see also Victor Alba, *Nationalists Without Nations (The Oligarchy Versus the People in Latin America)*, New York, 1968, p 113

requirements in farm products and have to import large quantities of food from abroad In 1964 alone 1,500 million dollars was spent on such imports, and between 1958 and 1968 food imports increased by over 50 per cent [1] As was pointed out in the report to the first meeting of the Board of the Latin American Peasants Federation (Caracas August 1969), close on 40 million peasants in Latin America are living below the poverty line, earning less than a dollar a day The Board called attention to the fact that the existing system of land tenure was the main obstruction impeding development of agricultural production, which is also encumbered to a serious extent by the USA dumping its agricultural 'surpluses" on Latin American markets The Board decided to campaign for agrarian reform for all it was worth.

When launching the Alliance for Progress the United States promised to set aside approximately 20,000 million dollars to implement the programme in the course of a ten year period In practice, however, things turned out quite differently During the first four years the United States granted the Latin American countries aid' amounting to 1,500 million dollars [2] In this connection it is important to remember that the Latin American countries lost over 2,000 million dollars in the three years 1960 62 as a result of falling prices for their exports and in 1965 alone they paid out 1 660 million dollars in the form of service payments On the occasion of the fifth anniversary of the Alliance for Progress President Johnson announced on March 14, 1966, that the United States had spent about 5,000 million dollars on the programme during the previous five years and promised that more would be spent in the five years to come In practice, however, the aid received over those next five years came to 500 million dollars in 1967, 460 million in 1968 and 336 million dollars in 1969 [3] In an assessment of the record of the Alliance for Progress in 1966 *The New York Times* wrote that "even supporters of the

[1] *Britannica Book of the Year 1966*, p 28 see also *Inter-American Development Bank Ten Years of Work in Latin America*, p 12

[2] Including deliveries of agricultural "surpluses" provided for in PL 480

[3] *Le Monde*, July 30, 1969, p 3.

Alliance feel disheartened by its snail's pace' pointing out that the time had come for a frank and full reassessment of the tasks that lay ahead.[1] The Latin Americans viewed the Alliance in still more bitter terms: President Gomez of Ecuador referred to it as an illusion and thwarted hope.

Johnson took it upon himself to rescue the Alliance for Progress. In his message to Congress of March 14, 1966 he referred to its prospects for the second five-year period as 'rosy' after naming the following targets: 7,000 miles of improved motor roads, the construction of 130,000 houses, the irrigation of 136,000 acres, an increase of 530,000 kilowatt hours in electric power output, new schools catering for a total of a million pupils, the setting up of 450 medical dispensaries, credits for 450,000 farmers that would total 250 million dollars and the setting up of private industrial firms (with a total capital of 200 million dollars). It is obvious that this five-year programme, even if it had been carried out, would have had no profound influence on the economic and social position of the peoples of the Latin American continent. Indeed, such was the object of the plan from the US point of view: the United States merely sought to use the Alliance for bolstering up the OAS machinery. Edward Mason had the following comment to make on this particular situation: 'The fact is that the Alliance for Progress to date has not developed the capacity to act ... as a creditable 'counter-myth to the Communist ideology'. As one observes the military takeovers ... since the initiation of the Alliance, a rather different type of alternative to Communism appears to be emerging. It seems highly improbable that this kind of regime is a real alternative or that it can last for long, though it is equally improbable that we have seen the last of such take overs.'[2]

In March 1971, at the time of the tenth anniversary of the Alliance, the majority of observers agreed that the USA had clearly failed to rescue its scheme from complete failure. A study of the achievements of this Alliance was published some time ago by two American authors, Jerome Levinson, a former top official at the Agency

[1] *The New York Times*, April 4, 1967, p. 42.
[2] Edward S. Mason, op. cit., pp. 104-05.

for International Development, and Juan de Onis a prominent US journalist its title requires no elaboration — *The Alliance That Lost Its Way*[1] The authors provide readers with a detailed analysis of the results achieved by the Alliance for Progress and then draw the conclusion that the USA failed not only to reach those targets officially announced but also to achieve the real aims which it had set itself

Indeed, what did the United States and the Latin American states achieve during the ten years following the launching of the Alliance? The Alliance charter stipulated an annual growth in the per capita national income for the member countries of not less than 2 5 per cent while between 1961 and 1967 this growth actually averaged approximately 1 5 per cent The average annual growth in the per capita GNP during the period 1961 69 in the Latin American countries was as follows 1 9 per cent in Argentina 1 9 per cent in Brazil 1 7 per cent in Chile 1 5 per cent in Colombia, 2 3 per cent in Costa Rica, 1 1 per cent in Ecuador 2 2 per cent in El Salvador 1 9 per cent in Guatemala 2 per cent in Honduras, 1 4 per cent in Paraguay 2 3 per cent in Peru and 1 1 per cent in Venezuela Only in Bolivia Mexico Nicaragua Panama and Trinidad and Tobago did this average reach or slightly exceed 3 per cent however, in countries such as the Dominican Republic Haiti and Uruguay it did not rise at all but fell (by approximately 8 per cent over the indicated period)[2] The charter also contained a promise of more just distribution of the national income however according to official ECLA figures the average annual per capita income in Latin America does not exceed 120 dollars Nor was the target in relation to fuller utilisation of the continent s natural and manpower resources and a reduction in unemployment thanks to increased industrialisation reached On the contrary the question of unemployment became even more acute than before during the ten years of the Alliance the number

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[1] Jerome Levinson and Juan de Onis *The Alliance That Lost Its Way* Chicago 1970

[2] *Socio-Economic Progress in Latin America Social Progress Trust Fund Ninth Annual Report IDB* Washington D C 1969 p 2

of unemployed reached 25 million The authors of the Alliance programme had provided for a considerable rise in labour productivity in agriculture and an increase in agricultural production, however, even Nelson Rockefeller was obliged to acknowledge that per capita agricultural production in Latin America had not yet regained its pre war level By 1969 the agrarian reforms promised in the charter had not been introduced in the majority of the Latin American countries Between 1960/61 and 1967/68 agricultural production for the whole of Latin America only increased by 3 per cent and in 1967/68 farm year it even dropped by almost one per cent compared with the level for the preceding year The growth in agricultural production for the period indicated did not reach 3 per cent in 11 Latin American countries, including Brazil, Argentina, Colombia, and in some countries (the Dominican Republic, Haiti and Uruguay) it even showed a decline of 2 per cent on average

The share in the continent s economy accounted for by *the manufacturing industries increased by a mere one* per cent during these ten years, the total volume of Latin American exports over the same period increased (in terms of value) by only 5 2 per cent (while the equivalent figure for the whole of the capitalist world was 8 7 per cent) and there was virtually no qualitative change in the continent s range of exports the share of primary products accounted for 85 2 per cent of the total exports in 1967 as opposed to 90 6 per cent in 1961, i e , there was a drop of only 5 per cent [1]

So all in all the decade of the Alliance for Progress completely shattered the hopes the Latin American countries had pinned on the programme launched in 1961, and their dependence on the US monopolies had become *still greater* during those ten years The continent's external debts had shown a marked increase and by December 1, 1968 the external debt of the 21 *Latin American countries* came to 16,730,600,000 dollars[2] and their annual service payments came to an average of 1,000 million dollars between 1965 and 1968 [3] The level of these countries' payments on their

[1] *World Bank IDA Annual Report 1970*, pp 10, 16, 23
[2] Ibid , p 73
[3] Ibid , p 77

external debts remained approximately the same in 1969 and 1970, and if payments on private loans and credit are taken into account the Latin American countries' service payments for the period were as follows 1,652,200,000 dollars in 1965, 1,970,500,000 in 1966 2,149,800,000 in 1967, 2,298,000,000 in 1968, and 2,158,000,000 dollars in 1969[1] In 1970 the Latin American countries' external debt reached the enormous sum of 17,600 million dollars and in that year the continent's service payments came to 2,500 million dollars,[2] 217,000 million more than the total aid received by those countries that year, including the net flow of all foreign private investment

Politically the Alliance for Progress was also a fiasco insofar as the Alliance programme did not result in economic, social or political improvements for the Latin American countries, it did not do away with the danger of anti-imperialist revolutions, bourgeois and landowner classes in these countries had hoped The results at the end of those ten years gave those ruling circles more cause than ever to appreciate that the peoples of the Latin American countries already prefer to analyse the problems of economic and social development now confronting them from a Marxist position Nelson Rockefeller was also compelled to recognise this fact after visiting a number of Latin American countries as President Nixon's personal representative in 1969, and Robert Finch, one of the President's advisers and former Secretary of Health, Education and Welfare, was sent on tour of Latin American countries in November 1971, when he openly announced at a press conference that the 'good neighbour policy" and the Alliance for Progress had reflected the approach on the part of the USA to the Latin American countries as to so many "banana republics" taking no account of their real interests, and pointed out that from then on the United States would approach the needs and requirements of each country individually This "new" and 'individual" approach, which Finch had been instructed

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[1] *World Bank IDA. Annual Report 1970*, p 79

[2] *World Bank IDA. Annual Report 1971*, Washington, D C., September 1971, pp 50-52, 63 67.

to proclaim abroad, did not, however, lead to any change in the essence of US monopolies policy in relation to the Latin American countries, insofar as the main purpose behind Finch s tour was to bring pressure to bear on those countries to put a stop to the nationalisation of American companies extracting tremendous profits in those countries

In an assessment of the political events in Latin America during the decade under consideration *The Christian Science Monitor* wrote "The 1960s were also characterised by intense political change that included one war, 18 border disputes, one civil war, one major United States military intervention and another United States sponsored invasion attempt, 21 military coups d'etat and almost 60 changes of government in the 24 nations of Latin America " In its summing up the newspaper drew the following conclusion Latin America is more unified today on how to deal with the United States than it was in the early 1960s In fact, Washington probably will be presented with a more united Latin America on political and economic issues than in the 1960s "[1]

3 ECONOMIC INTEGRATION IN LATIN AMERICA

The fiasco in which the Alliance for Progress project ended was the main reason behind the US initiative in regard to economic integration and the creation of a Latin American common market While integration for the USA meant an attempt on its part to plan Latin American economic development to tie in with its strategic plans for the whole American continent, for the Latin American countries integration represented a chance to overcome stagnation of production and to expand their markets In addition the Latin American countries are now insisting that the United States agree to tariff preferences and also give them wider access to US markets

On February 20, 1967 a consultative conference at ministerial level held in Buenos Aires agreed that a meeting of presidents from all the OAS countries would be held

[1] *The Christian Science Monitor*, December 31 1970 p 2

in April of that year in Punta del Este The agenda for this summit" meeting included the following items integration and the creation of a Latin American common market the expansion of education facilities and health services and modernisation of agriculture The meeting approved the proposal put forward by Argentina to the effect that the possibilities for setting up a common market on the basis of the Latin American Free Trade Association and the Central American Common Market be studied Preliminary discussion in Buenos Aires of an American plan for carrying through a 'decade of economic integration for the Latin American countries" had shown that the United States' main aim was to dispel the disillusionment felt by the Latin Americans after the fiasco of the Alliance for Progress The Declaration by American Presidents published at Punta del Este in 1967 provided for the creation of a Latin American common market (with US participation) and the achievement of economic integration by the first half of the 1980s

As was pointed out in one of the publications issued by the Inter-American Development Bank the First Development Decade, the decade of the 1960s could also be called the First Economic Integration Decade in Latin America" [1] A number of associations of various kinds actually were set up during that period The major achievement in this field was the setting up of the *Latin American Free Trade Association* (LAFTA),[2] which was inaugurated in 1960 at a conference in Montevideo convened under the auspices of ECLA The original members of this Association were Argentina Brazil, Chile Colombia, Mexico, Ecuador, Paraguay, Peru and Uruguay Later Venezuela and Bolivia also became members These countries taken together account for 94 per cent of Latin American territory and 90 per cent of the continent's overall population In accordance with the Treaty of Montevideo, which came into effect on June 2, 1961, LAFTA members committed themselves

[1] *Socio Economic Progress in Latin America* p 44

[2] Victor L Urquidi *Free Trade and Economic Integration in Latin America* University of California Press, Los Angeles 1962 Fuentes Irurozqui M , *La Integración Economica de America Latina*, Madrid, 1967.

to eliminate all duties on goods currently traded among them within twelve years The possibility of gradual integration for this group of countries was referred to in Article 15 of the Treaty and Article 16 indicated practical steps towards this end [1] However, no conspicuous increase in economic co operation between the LAFTA member countries took place although a certain degree of expansion in interregional trade was to be observed, particularly in the early years after the conclusion of the Treaty of Montevideo [2] A meeting of foreign ministers from the LAFTA member countries in December 1966 proved unable to settle inter-LAFTA differences that had arisen since the Association was first set up The next meeting held in August 1967 in Asuncion (Paraguay) only succeeded in settling part of those differences an agreement providing for a "subregional" market was signed by only five countries [3] However, the ministers were unable to agree on how best to work towards economic integration It was US policy which prevented a solution of these problems, since the United States had tried to keep negotiations concerning these problems within the Alliance for Progress framework For this reason LAFTA ministers put off "active steps" in this direction till a later date Commenting on the results of this meeting *The Christian Science Monitor* wrote that "the failure of the Latin American Free Trade Association (LAFTA) to take preliminary steps towards a common market at its recent meeting has set back the whole concept" [4] In fact the ministerial meeting in Montevideo (December

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[1] Article 16 reads "With a view to expediting the process of integration and complementarity, referred to in Article 15, the Contracting Parties (a) shall endeavour to promote progressively closer co-ordination of the corresponding industrialization policies, and shall sponsor for this purpose agreements among representatives of the economic sectors concerned and (b) may negotiate mutual agreements on complementarity by industrial sectors" (John P Powelson, op cit, p 206)

[2] *US Neocolonialism in Latin America* edited by B I Gvozdaryov, p 31

[3] The Andean Common Market group Chile Colombia, Ecuador, Peru and Bolivia

[4] *The Christian Science Monitor*, September 15, 1967, p 1

1967) brought no results the ministers were unable to include cereals and oil in their unified list of commodities which was a prerequisite of the 75 per cent reduction in tariffs for all other commodities included in the list

In May 1968 a meeting for the countries of the La Plata valley was held in Santa Cruz (Bolivia) at which ministers from Argentina Brazil Uruguay Bolivia and Paraguay discussed possibilities for setting up a co ordination centre to prepare a common development programme for the countries of the area in question The ministers reached agreement concerning the creation of an infrastructure but could not draw up a common trading policy The agreement on co operation in economic development was signed by the foreign ministers of these countries on April 23 1969 It provided for a research programme for improved irriga tion schemes more extensive use of waterways improved roads etc

In February 1968 a treaty was signed by a group of countries within LAFTA (the Andean Common Market group) and Venezuela providing for the setting up of an Andean Development Corporation (ADC) with a capital of 100 million dollars Despite serious differences that came to light in the course of a further meeting between represen tatives of these countries in Cartagena (Colombia) a Car tagena Agreement was signed in May 1969 These differen ces were settled to a certain extent at a meeting in Caracas in June 1970 when a group of experts were called upon to draw up a plan for investments from Corporation funds taking due account of the requirements of each country concerned A further step towards co operation within this group was the creation on June 8 1970 of the Andean Deve lopment Corporation admittedly with limited capital [1] At the second Corporation meeting held in Caracas in January 1971 a number of projects were approved the integration of the telephone services in the ADC countries integra tion of fishing policy for Colombia Chile Ecuador and Peru For the immediate future alone 21 projects have been

[1] Venezuela s contribution amounted to 1 100 000 dollars

lined up The entry of Venezuela in February 1973 further consolidated the Andean group [1]

As for trading policy the Andean Common Market group reached an agreement in October 1970 providing for steps to ensure the gradual reduction of duties At a meeting in Lima an Andean Common Market commission adopted a resolution laying down that from December 31 1970 onwards duties on commodities from member countries would not exceed 100 per cent of their actual value and that duties on 5 800 types of commodities would be reduced by 10 per cent every year until they were finally eliminated in 1980 [2] The commission also discussed the question of foreign investment aiming at evolving a common policy in this respect on the part of the five countries and also the question of Venezuela s participation in the activities of the Andean Common Market The proposals put forward by the commission in connection with these matters were reviewed at the next meeting of the Andean group foreign ministers held in Lima on March 11 13 1971 at which a number of decisions were taken The most important of these were the following confirmation of the Andean group s resolve to accelerate economic integration of its member countries in order to promote far reaching economic and social change ratification of the principle of joint planning for industrial development and the plan to hold regular meetings for ministers for various fields of their countries economies mutual respect for ideological differences and the principle of non intervention and self determination and finally approval of the need to implement measures restricting the investment of foreign capital in order to protect the national interests of all member countries In October 1972 a Joint Andean Mexican Commission was set up representing the Andean Common Market group

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1 These include the construction of cold storage installations on the coast of Peru and Colombia of tin bismuth and antimony foundries in Bolivia the opening up of a coal industry in Colombia the construction of a dye works in Venezuela and the creation of a joint air company and joint fleet for the transport of cereals etc

2 It was planned that duties on 39 commodities exported by Bolivia and Ecuador less developed countries would be abolished completely by December 31 1973

and Mexico for the purposes of extending trade between the parties concerned

Within the Andean group steps were taken which resulted in closer collaboration in cultural affairs which were discussed at a meeting of the group's ministers of health in Lima (February 4 6, 1971) The ministers present discussed possibilities for elaborating joint education scientific and cultural programmes, the use of television for teaching purposes and a number of other questions It is significant that the meeting rejected the United States proposal to use US communications satellites and programmes to develop the member countries' education systems and called upon the Latin American countries to actively combat all forms of 'psychological colonialism" and cultural chains' In December 1971 a meeting of health ministers from the Andean group countries was held in Lima at the end of which an agreement for collaboration in this field was signed The ministers also adopted a resolution calling for more effective measures to counter pollution of the environment and agreed on a joint programme for combatting narcotics smuggling

On April 2, 1973 the labour ministers from the Andean group adopted the Quito Declaration which laid down the group s policy on the qustions of labour, professional training and social security

Despite these positive achievements the creation of a common market within the LAFTA framework by 1973 as originally envisaged in the Association's inauguration treaty proved to be too ambitious a target New negotiations were required which were not completed until December 1969 when a final protocol was signed in Caracas which scheduled the creation of the common market within the LAFTA framework for 1980 The LAFTA Permanent Executive Committee and its secretariat began to function after this Caracas protocol had been signed [1]

The plan to set up a *Central American Common Market* had been devised as far back as 1950 at one of the regular ECLA sessions but it was only inaugurated in December

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[1] *Socio Economic Progress in Latin America* p 45

1960[1] The signatories of the CACM treaty (Guatemala El Salvador Honduras and Nicaragua, who were later joined by Costa Rica in July 1962) committed themselves to eliminate customs duties on commodities sold within the CACM framework[2] This *treaty which came into force in* June 1961 also included an agreement between the five countries concerning the implementation of measures to promote economic integration, for which purpose the Central American Economic Integration Bank with initial assets of 16 million dollars was set up[3] Work to implement this agreement came up against a number of problems although in the period 1962 65 trade within the CACM area almost doubled The CACM *crisis began in February 1968 when Nicaragua* introduced special duties in order to compensate for the losses which she had suffered as a result of her membership of the CACM demanding at the same time that the fundamental points of the CACM charter be reviewed This *action on the part of Nicaragua gave rise to similar steps* on the part of the other CACM members[4] Subsequent developments in 1968 were coloured by increasingly acute problems in connection with the markets and falling prices for traditional exports from these countries The President of Nicaragua accused the other Central American countries of undermining integration These accusations stemmed from the fact that the other CACM countries refused to buy cotton oil from Nicaragua El Salvador, in her turn, introduced restrictions on cigar imports from Guatemala, and *Costa Rica prohibited the import of rice from* El Salvador In their assessments of the CACM crisis many economists agree that the main reasons for its collapse are firstly that the countries of Central America sell over 80 per cent of their export commodities to the United States and secondly that due to the one-sided development of the economies of the Central American countries they have practically

[1] Ibid, p 44 Joseph Pincus *The Central American Common Market* U S Department of State Agency for International Development September 1962 Fuentes Irurozqui M, *La Integracion Economica de America Latina* Madrid 1967 pp 52 56

[2] John P Powelson, op cit, p 208

[3] Later this sum was increased to 125 million dollars

[4] *El Mundo*, Salvador, April 10 1969

no export items to trade in with their neighbours,[1] although trade within the CACM framework did increase somewhat between 1961 and 1968.[2]

The conflict between Honduras and El Salvador fanned by the US company United Fruit in July 1969 completely paralysed the CACM. The meeting for CACM ministers of economics held in San José in November 1970 was an attempt to resurrect the CACM. The ministers tried to determine the pattern and nature of its activity. The agreements concluded at that meeting were, however, only of a provisional nature, for the conflict between Honduras and El Salvador had virtually brought inter-zonal trade to a standstill as a result of the blockade of the Pan-American Highway dividing the CACM countries into two groups: El Salvador and Costa Rica on the one side and the other three CACM members on the other. Nor did the First Congress on CACM Integration go very far towards settling the problem: that meeting, held in San José between November 30 and December 4, 1970, was attended by economists from Costa Rica, Guatemala, Honduras and El Salvador. The existence of internal differences within the CACM, aggravated by the activities of the US monopolies, render the renewal of its activities impossible. Moreover, after Honduras' virtual withdrawal from the CACM the President of Costa Rica announced on December 13, 1970 that his country might also withdraw from the CACM since the organisation's activities had ground to a halt. New attempts to resurrect the CACM (a meeting of ministers of economics from Guatemala, El Salvador and Nicaragua in San José on February 3, 1971 among others) also failed to produce any results, since Honduras, in the opinion of the above-mentioned three countries, had violated the joint treaty for economic integration by making commodities imported from the other CACM countries subject to customs duties once again.

The military-political organisation of these countries — the Organisation of Central American States — practically ceased to exist in early July 1973.

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[1] See *The New York Times*, December 18, 1968.
[2] *Socio-Economic Progress in Latin America*, pp 46-47.

In 1968 another grouping appeared consisting of Trinidad and Tobago, Jamaica, Barbados, Guyana and other contries and territories in this region, together forming the *Caribbean Free Trade Association* (CARIFTA), set up in accordance with the treaty signed at Georgetown an Guly 4, 1973.

Thus to date no spectacular achievements can be claimed for economic integration in Latin America, for the activities of LAFTA, the Andean Common Market, CACM and CARIFTA *have not yet produced any tangible results and* the attempts on the parts of these groupings' member countries to consolidate economic co-operation are often impeded, among other factors (for example, their low level of development), by the disruptive efforts of US monopolies whose interests clearly stand to suffer as a result of any economic and particularly political integration in Latin America. US foreign economic aid policy, the new principles of which were announced by President Nixon in his message on foreign policy delivered to Congress on February 18, 1970 (the main one still remaining the encouragement of private investment by US *monopolies*), *his promises* to liberalise trade[1] which have not yet been put into practice, and measures to "protect the dollar" introduced on August 15, 1971 (including cuts in the aid programme and the import surcharge), hit the Latin American countries worst of all: as noted earlier all these steps undertaken by the USA were of *little use* to Latin America. In order to *promote* economic and social development in the 1960s the IDB allocated to this continent (from its Social Development Fund and the Preinvestment Fund for Latin American Integration) about 400 million dollars. This money provided in the form of loans and credits went towards financing a number of multilateral projects (mainly on new roads and other sectors of the infrastructure) and also on "studies" for projects, scheduled for later implementation by LAFTA, CACM and CARIFTA, to be carried on by the Latin American Integration Institute.[2] Such projects were not, however, destined to exert any effective influence on the process of

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[1] *United States Foreign Policy for the 1970s*, p. 33.
[2] *IDB. Ten Years of Work in Latin America*, pp. 48-55; *IDB. Eleventh Annual Report 1970*, pp. 96-97.

CONCLUSION

The era of the general crisis of capitalism and the transition to socialism, in particular since the Second World War, is an era which has seen the creation and consolidation of the socialist community of nations that serves to restrain the main forces of imperialism and exerts an enormous influence on the course of world history, including the advance of the national liberation and anti imperialist movement, most important of all this period has seen the collapse of the imperialist colonial system There has also taken place a radical change in the balance of power in the world arena the forces of socialism, peace and progress have grown beyond recognition and the world socialist system "has been even further consolidated as the decisive anti imperialist force, and as the bulwark of peace and social progress",[1] while the forces and positions of imperialism and colonialism have grown considerably weaker In this connection Comrade Brezhnev pointed out "No matter what senseless brutalities the modern colonialists may commit, imperialism no longer possesses its former ability to dispose of the destiny of the peoples unimpeded The socialist cause, the national liberation movement are invincible "[2] In this new historical context the colonialists have been obliged to modify their policies employing sophisticated methods more compatible

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[1] *24th Congress of the CPSU* p 211

[2] L I Brezhnev *The Fiftieth Anniversary of the Union of Soviet Socialist Republics* Moscow 1972 p 41

with the new conditions Despite sharp differences between the main capitalist powers they are joining forces more and more frequently now in their efforts to contain socialism and the international communist and working-class movement and the national liberation movement in the newly independent states The old colonial policies are now giving way to more skilfully disguised methods and manoeuvres so as to subject the peoples of the countries that have recently gained their political independence to economic political and financial bondage

In their struggle against socialism and the national liberation movement the imperialists tighten their hold on the small number of remaining colonies try to prevent the developing countries achieving genuine economic and social independence and do all they can to compel the newly independent states to embark on a capitalist path of economic development After noting these changes in the colonial policies of the imperialist powers the 1969 International Meeting of Communist and Workers Parties called attention in the final communique issued at the end of the Meeting to the fact The imperialists impose on these countries economic agreements and military political pacts which infringe on their sovereignty, they exploit them through the export of capital, unequal terms of trade the manipulation of prices, exchange rates loans and various forms of so-called aid and pressure by international financial organisations [1]

In an attempt to preserve the unequal relations with their former colonies the neocolonialists resort more and more frequently to new forms of exporting industrial and finance capital (setting up "mixed" companies in conjunction with local capitalists and often making sure the controlling interest remains in the hands of the foreign monopolies and banks, the concealed export of capital the creation of international funds and consortiums and exploitation of the raw materials and the financial resources of the developing countries, etc), more subtly disguised forms

[1] *International Meeting of Communist and Workers Parties Moscow 1969*, Prague 1969 pp 12 13

of non-equivalent exchange (which enable the monopolies to rob the developing countries of thousands of millions of dollars every year), dumping and other trading practices thereby gaining a firmer hold on previous markets and acquiring both new markets and sources of cheap labour and raw materials; under the guise of aid to the developing countries the monopolies go out of their way to consolidate their existing position, foist régimes that support their interests on the developing countries (more often than not extremely reactionary régimes) and virtually compel them to embark on a capitalist course of development, making sure the while that they do not achieve anything approaching rapid and all-round economic and social development.

It is a common practice of the neocolonialist powers to grant the newly emergent countries nothing but the official trappings of political independence: these powers are no longer in a position to maintain the old colonial régimes in the former colonies, the colonial powers proclaim them independent while at the same time foisting on them a whole series of political, economic and financial treaties and agreements and renouncing all "responsibility" for these countries' subsequent development and freeing themselves of the expenses linked with the upkeep of colonial administration. However, when the former colonies try to assert full independence and the imperialist powers stand to lose more than they find acceptable, they then resort to force making ample use of their military bases, blocs and treaty organisations and are ready to stop at nothing, even armed military intervention and neocolonial wars.

The most subtly disguised method employed by the neocolonialists to pursue their policies are their attempts to make use of various international, regional and other organisations in the interests of their imperialist ends.

After making sure they rule the roost in the World Bank, and its branches and the International Monetary Fund the leading capitalist powers make wide use of these international financial institutions in order to exploit and systematically plunder the developing countries through their monopolies and banks. In their efforts to implant and consolidate capitalism in the developing

of private capital to the associated countries by the monopolies of the Six and for the extraction and import of cheap raw materials The EEC neocolonialist potential was even more enhanced when Britain, Denmark and Ireland joined the Community in January 1973

The establishment and activities of the OECD represent yet another attempt on the part of the neocolonialists to join forces, and this time on a wider front, and to co ordinate their policies vis à vis the developing countries The work of a number of OECD committees and the OECD Development Centre and collaboration with a number of specialised UN bodies should be regarded first and foremost as camouflage for collective colonialism" carried out by the main imperialist powers within the OECD framework

Without entirely renouncing old "classical" methods of plunder and robbery, the leading capitalist powers, headed by the USA, have elaborated and actively employed since the Second World War a whole series of new methods and manoeuvres to pursue their colonialist goals, attempting at the same time to make use of international organisations to further their ends The neocolonialists have succeeded, albeit if temporarily, in achieving some of their objectives, in particular with the help of such organisations as the EEC, OECD, the IMF and the World Bank In a number of cases they have succeeded in persuading various UN bodies and specialised organisations to adopt resolutions in their interests

Meanwhile the active policy pursued by the Soviet Union and other socialist countries obstructs the successful application of these neocolonialist methods by the leading capitalist powers, including their policy within international organisations, the same is true of their efforts directed at turning these organisations into instruments of peace and genuine international co operation, into instruments of effective aid for the developing countries so as to eliminate all forms of colonialism and racialism and their repercussions In applying these methods the imperialists have been systematically plundering the peoples of dozens of countries in Asia, Africa, and Latin America Every year, they extract thousands of millions of dollars out of the Third World Meanwhile, according to a 1970 UN report on the world food

liberation in many countries has *in practice begun to develop* into a struggle against exploitative relations, both feudal and capitalist. The countries which have taken the non-capitalist path of development, that is, those which have taken the long-term line of building socialist society, are the advance contingent of the present-day national-liberation movement."[1] This assessment of the national-liberation *and anti-imperialist* movement at its present stage represents more than an important theoretical conclusion. It also points to the way in which the situation will develop in the future The historical experience of this movement in the post-war period shows that the genuine and complete liberation of the peoples of the developing countries can be achieved through a continuation of the resolute struggle against the domination of the imperialist monopolies, through joint efforts on the part of the developing countries and the socialist countries to promote this struggle, through a rejection of the capitalist path of development and a new socialist orientation, for the struggle against the forces of imperialism, *reaction and racialism and neocolonialism* is the phenomenon which determines the social and political climate and character of the present age.

The colonialist, neo-colonialist, racist and apartheid policies pose permanent danger to the peace and security of nations. Therefore, the efforts to promote the cause of peace détente and the principles of peaceful co-existence *in the relations between states with differing social systems* contribute to the national liberation movement, help the young states to strengthen their political *and economic* independence, and serve the interests of all peoples and countries, the developing states in particular.

This is the reason why the Peace Programme of the 24th CPSU Congress enjoys broad support of the peoples and the *governments* of the overwhelming majority of states. Indeed, this is a programme of struggle for peace and security, for ending *all wars and armed conflicts, for* setting up peace zones and for troop reductions, for ending the arms race, for banning nuclear weapons and destroying *their stockpiles*, for easing international tension and developing friendship

[1] *24th Congress of the CPSU*, p. 215,

and all round co-operation between all peoples and countries, for social progress and socialism Full implementation of this programme would greatly benefit all countries without exception, the developing states in particular Despite all the debris of the cold war, this programme is being carried into life through the efforts of the CPSU Central Committee, the Soviet government and the personal efforts of the CPSU General Secretary Brezhnev His visits to the FRG the USA and France, particularly his meetings with the U S President, have been extremely helpful to this effect The quarter century-old cold war is petering out and giving way to a period of ever broaer acceptance of the principles of peaceful co existence Today it has become clear to all that the treaties the USSR and Poland have signed with the FRG the treaties between the GDR and the FRG between the CSSR and the FRG, the agreements on West Berlin have in fact set a seal on the post war period in Europe and marked the beginning of normal, peaceful relations on this continent, where two world wars were sparked off in the lifetime of one generation

The whole world is witnessing that the principles of relations worked out by the Soviet Union with France and the USA and laid down in the Soviet Franch and Soviet American treaties and agreements open up broad opportunities for developing inter state relations firmly based on the principles of peaceful co existence and set the guidelines for them The signing by the USSR and the USA in 1972 73 of the treaty on the limitation of the anti missile defence systems, the provisional agreement on strategic offensive arms limitation and what is most important the agreement on the prevention of nuclear war in the wake of the U S President Nixon's visit to Moscow in 1972 and the visit to the USA by the CPSU General Secretary, Brezhnev were the first crucial practical steps to limit the international arms race and reduce the immense danger of a thermonuclear world war overhanging mankind for the past few decades

Guided by the decisions of the 24th CPSU Congress the CPSU Central Committee and the Soviet Government are consistently developing co operation based on equality, with Asian African and Latin American states The fruitful development of relations with these countries is illustra

ted by the treaties of friendship and co operation the USSR has signed with Egypt, India and Iraq in the past few years, which contribute to wider exchanges with them These facts strikingly bear out the fruitful results of the peace policy the USSR and the socialist camp as a whole pursue for the benifit of mankind

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